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Page 12

World News

UK retaliates over Iraqi expulsion of diplomat

Britain has expelled an Iraqi diplomat in retaliation for the expulsion by Iraq of a Second Secretary at the British Embassy in Baghdad. The Iraqis accused the UK diplomat of making "inappropriate" remarks about President Saddam Hussein. Page 26

Israeli compromise
Foreign minister David Levy said Israel would accept a lone UN emissary after an American promise to try to end UN debate on the police killing of 18 Palestinians last month. Page 5

Hong Kong arrests
Hong Kong immigration officials rearrested a group of Vietnamese boat people after the High Court had ruled their 18-month detention illegal and set them free. Judge's criticism, Page 7

Tokyo ceremony
Emperor Akihito was enthroned at the Imperial Palace in an elegant Tokyo ceremony. Despite tight security, police counted 29 incidents of sabotage by anti-imperialist groups. Page 7

Businesses hit
Businesses in Pretoria came to a standstill when thousands of blacks stayed at home to protest against a police clampdown after weekend violence in which 10 blacks were killed.

Gorbachev accused
Boris Yeltsin, outspoken president of the Russian Federation, accused Soviet leader Mikhail Gorbachev of trying to pressure his republic into ceding powers over banking, property and the money supply.

German spy charge
An unnamed 53-year-old senior German official has been arrested on suspicion of spying for East Germany for 25 years, the Federal Public Prosecutor's office said.

New Lesotho king
King Letsie III was sworn in as monarch of the tiny southern African mountain kingdom of Lesotho, replacing his deposed and exiled father, Moshoeshoe II.

Paris looting
Masked youths looted shops in the Latin Quarter and Montparnasse during an otherwise peaceful Paris march by up to 200,000 teenagers demanding better conditions in high schools. Page 2

Athens jailbreak
At least 12 inmates escaped and hundreds of prisoners took over cell blocks in a riot at Athens' top security Korydallos prison. One escapee was serving a life sentence for murdering two police officers.

Macedonia poll row
Six opposition parties in Yugoslavia's southern republic of Macedonia called for fresh regional elections as protests erupted over alleged irregularities in Sunday's poll.

Pornography protest
A Swedish women's group has launched a campaign against pornography with a boycott of news stands selling what it calls degrading magazines.

Guatemala upset
Conservative businessman Jorge Serrano Elias claimed a surprise victory in Guatemala's presidential election. Page 9

Berlin battle
Squatters hurled petrol bombs, rocks and flares at police who came to eject them from dilapidated buildings in east Berlin.

Sorry, men only
Six Saudi women professors have been suspended by royal decree from their teaching positions at King Saud University for demanding the right to drive cars. Page 5

Business Summary

TWA to sell routes if bid for Pan Am is successful

Trans World Airlines, the US airline headed Carl Icahn, would sell off transatlantic routes if its $450m bid for Pan Am, another troubled US carrier, is successful.

Icahn says the merger would be conditional on "contracts of sale . . .of those duplicative international routes that are currently served by both Pan Am and TWA." Page 27

MARKETS – Wall Street: Dow Jones Industrial Average was 41.83 higher at midsession at 2,530.44. Frankfurt: DAX index closed 20.75 higher at 1,402.24. *Tokyo markets closed for the* enthronement of Emperor Akihito. World Stock Markets: Back Page, Section II

ASKO, German retailing group, announced a big expansion in the food sector through the takeover of the remainder of the Co-op supermarket concern which ran into financial and management difficulties in the late 1980s. Page 27

SWEDEN'S Trygg-Hansa insurance group and SPP pensions insurance fund are to merge to form Scandinavia's biggest insurance company. Page 27

CHASE Manhattan Espana, the Spanish arm of the US bank, is preparing to close down its loss-making retail banking operations as part of its world wide strategy to reduce operating costs. Page 36

BRITISH STEEL is intensifying its drive to cut costs, with plans for significant redundancies among its 12,500 white collar staff, in response to a deterioration in its markets which cut pre-tax profits for the first half of the year by 27 per cent to £307m. Page 27; Lex, Page 26

INDOSUEZ Asia Investment Services of Hong Kong, part of the Banque Indosuez Group, is next month launching the first international fund designed to invest in shares in the Republic of China with a closed-end target of $20m raised in Asia, the US and Europe. Page 47

SOUTH Korea and Mexico have become the first advanced developing countries to sign up to specific industrial codes of practice established by the Organisation for Economic Co-operation and Development. Page 4

CENTRAL de Cervejas (Centralcer), Portuguese state-owned brewing and soft drinks company, has been fully privatised, but the flotation fell short of the Government's objectives with 35 per cent of the shares on offer unsold and left with the underwriters. Page 28

SAGA PETROLEUM, Norway's biggest independent oil company, is negotiating to buy all or part of the Norwegian Oil Consortium (NOCO). Page 29

MEXICO is to reduce the daily slippage of the peso against the US dollar from 80 centavos to an average 40 centavos as part of a cautious move towards fixed parity of the two currencies. Page 9

BARLOW Rand, South Africa's largest industrial company, suffered the effects of lower demand, intensified competition and high interest rates to record a decline in profitability for the year to the end of September. Page 28

GATT talks in Brussels to complete the Uruguay Round are in jeopardy, according to Arthur Dunkel, director general of the General Agreement on Tariffs and Trade. Page 4

AMERSHAM International, one of the the Thatcher government's first privatisation issues, is selling its clinical reagents business – including the Amerlite range of diagnostic kits – to Eastman Kodak, the US photographic, drugs and chemicals group. Page 29

Moscow and Leningrad to introduce food rationing

By Quentin Peel in Moscow

MOSCOW and Leningrad, the two biggest cities in the Soviet Union, are to decide today on widespread food rationing for residents from December 1, while at the same time liberalising prices for the rest of their supplies.

A range of staple foodstuffs, from meat and butter to flour and pasta products, will be included in an extension of the rationing system which already exists in virtually every major town in the country.

The plans will provide very limited quantities of staple foods at the old fixed prices, while allowing probable rampant inflation for all other supplies, in the face of grave food shortages.

The drastic measures are being taken just as President Mikhail Gorbachev and Mr Boris Yeltsin, his greatest political rival, appear to be making a renewed attempt to bury their differences on economic reform. After a weekend meeting, the two agreed to seek common ground on the whole range of future relations between the huge Russian federation and the central government.

Mr Yeltsin, president of the Russian parliament, announced yesterday that joint commissions were being set up to decide on the division of property, delimitation of functions, and ownership of the country's most valuable natural resources, including oil, gas, gold and other precious metals, between the union government and the largest republic.

In a speech to the constitution committee of the Russian parliament, he denied suggestions that Russia was attempting to undermine the union. He said the commission's conclusions would form the basis of the country's new Union Treaty, defining the powers of the republics and the central government.

Although the Gorbachev-Yeltsin meeting is a hopeful sign for greater agreement on economic reform at the top, the plans to press ahead with rationing in Moscow and Leningrad are a recognition of the grim reality of economic disintegration on the ground.

Ration cards are to be issued to residents to complement the coupons already being used to buy sugar, vodka and cigarettes. They will give people the right to buy a minimum amount of the product at the hugely subsidised state price.

Mr Gavriil Popov, the radical mayor of Moscow, is to announce final details of the plan for the capital city on television tonight, after two days of debate in the city council.

In Leningrad, the city executive committee is proposing monthly ration limits such as 1.2kg of red meat, 0.5kg of chicken, and 1kg of sausage, as well as 10 eggs, a pound of butter, 2kg of sugar, a litre of vodka and 0.5kg of flour.

Moscow and Leningrad have traditionally been protected from the chronic shortages affecting outlying cities, but recently supplies have deteriorated sharply as agricultural areas, and other republics, refuse to trade their products.

Hungry Leningrad forges new destiny, Page 26

Howe to launch attack on Thatcher's view of Europe

By Philip Stephens, Political Editor, in London

SIR Geoffrey Howe, Britain's former deputy prime minister, is set to launch a blunt attack on Prime Minister Margaret Thatcher's approach to European integration in his resignation speech to the House of Commons today.

The intends to warn that Mrs Thatcher's stance risks splitting the Conservative Party, divorcing it from its natural allies in the business community, and alienating millions of young voters.

His language is expected to be thinly coded, but the underlying message will be that he no longer believes it is possible for the government to build a credible policy towards Europe while Mrs Thatcher is leading it.

But in a speech which is bound to deepen the crisis of confidence in Mrs Thatcher's government, Sir Geoffrey will signal that he has no plans to stand against her in any leadership contest.

With expectations growing at Westminister that Mr Michael Heseltine appears set to challenge Mrs Thatcher, Sir Geoffrey will also hold back from endorsing the former defence minister should he stand for the leadership, though he is expected to keep his options open if a contest does take place.


Sir Geoffrey Howe: will warn about risk of party split

Last night Mrs Thatcher appeared intent on lowering the political temperature in the dispute over her stance on Europe by emphasising the positive contribution that Britain was willing to play in greater co-operation.

She repeated her dislike of "grand designs" and blueprints for economic and monetary union, but was notably less disparaging than in recent weeks about the plans of Britain's European partners.

She dismissed the threat to her leadership in a joking cricket metaphor, telling the annual Lord Mayor's banquet that though the "bowling" had been pretty hostile of late: "Can I assure you that there will be no ducking the bouncers, no stonewalling, no playing for time. The bowling's going to get hit all round the ground. That's my style".

Senior ministers, however, are now openly acknowledging that the government risks disintegrating unless the issue of Mrs Thatcher's leadership is resolved clearly in one direction or another. They voiced fears that Sir Geoffrey's intervention would intensify the atmosphere of crisis.

Sir Geoffrey plans to reject explicitly Mrs Thatcher's comments in the Commons last week that the differences which caused him to leave the government concerned the style rather than the substance

Continued on Page 26
Unrest in the House; Thatcher's speech, Page 10

Rig blaze report attacks owners and UK ministry

By Steven Butler in London

THE UK government yesterday endorsed sweeping reforms of offshore safety in the North Sea oil industry following a highly critical report on the Piper Alpha oil platform disaster two years ago in which 167 men died.

The report by Lord Cullen, the Scottish high court judge, sharply criticised the Department of Energy and Occidental Petroleum, US operator of Piper Alpha.

Lord Cullen also recommended that the Department of Energy be stripped of its responsibility for regulating offshore safety and that this be given to the Health and Safety Executive.

The report said: "The approach of the Department of Energy seemed to me to tend toward over-conservatism, insularity and a lack of ability to look at the [safety] regime and themselves in a critical way."

Management practices by Occidental Petroleum were described as inadequate. "They adopted a superficial attitude to the assessment of the risk of a major hazard. They failed to ensure that emergency training was being provided as intended. The platform personnel and management were not prepared for a major emergency as they should have been. The safety policies and procedures were in place: the practice was deficient."

Mr Frank Dobson, the opposition Labour party's energy spokesman, called for Occidental to be prosecuted, as did trade unions. Mr Wakeham, energy secretary, said a decision to institute criminal proceedings against Occidental was beyond his remit, but that a copy of the report had been sent to the Lord Advocate.

Lord Cullen recommended that the government scrap a system of offshore regulation based on compliance with standard prescriptive regulations. This would be replaced by a system of formal safety assessments, in which whole safety systems on platforms would be evaluated by professionals.

The recommendations were welcomed by the UK Offshore Operators Association, an association of oil companies, which had argued in favour of a system of formal safety assessments during the inquiry into the disaster, which lasted more than a year.

Mr Wakeham appeared to brush off the criticism of the Department of Energy in the report and said that the recommendations reflected important changes in the industry that had taken place after the current safety system was established. He admitted, however, that the current system was not geared toward detecting the management deficiencies that were uncovered at Occidental.

Mr Wakeham was unable to say how quickly the reforms would be implemented or how much they would cost. Lord Cullen also recommended a number of specific safety changes on platforms, such as provision of temporary refuges and improved safety equipment and escape systems.

"I'm not persuaded that what Lord Cullen has recommended is very different from what is the best practice by the best companies in the North Sea," Mr Wakeham said.

Piper Alpha report, Page 12
Editorial Comment, Page 24

Political uncertainties weaken sterling

By Rachel Johnson, Economics Staff, in London

THE POUND was hit hard yesterday by the political rift in the Thatcher government amid mounting evidence that the UK economy has moved into recession.

Sterling dropped two pfennigs against the D-Mark as traders assessed the political risk attached to the pound ahead of a possible leadership challenge to Mrs Margaret Thatcher, the prime minister.

The economic and political uncertainties have combined to make sterling the weakest currency within the exchange rate mechanism of the European Monetary System.

Traders said the weak pound and unsettled markets would last at least until the leadership question had been resolved. In spite of sterling's fall, there is an emerging consensus within the City of London that financial markets would be encouraged should Mrs Thatcher be defeated by either Mr Michael Heseltine, former defence secretary, or Mr Douglas Hurd, the foreign secretary.

Both politicians are viewed as being more strongly committed than Mrs Thatcher to European economic and monetary union so the election of either would strengthen the credibility of the UK's membership of the exchange rate mechanism.

Sterling has fallen to within just five pfennigs of its lower effective limit of DM2.85

Continued on Page 26
Lex, Page 26; Markets, Second Section

Racal plans telecommunications and security business disposal

By Paul Abrahams

SURPRISE plans to break up Racal Electronics, one of the largest remaining British electronics companies, emerged yesterday.

Shareholders were caught unawares by the speed of the decision, made by the Racal board on Sunday, and expressed anger at the lack of detailed information about the plans, which became public after the company made a statement to the stock exchange in London yesterday.

Racal, the world's largest cellular telephone operator through its Vodaphone subsidiary, intends to demerge both its security business and Racal Telecom, the Vodaphone parent.

It then plans to launch a management buy-out of the group's remaining businesses.

Shareholders were given no details beyond the statement to the stock exchange.

Racal said it was still talking to its financial advisers, who had been unaware of the company's plans until yesterday morning. It was unable to offer any timescale for the break-up.

Justifying the decision, the group said it had been disappointed that the share price of Racal Electronics had consistently failed to reflect the full value of its 80 per cent stake in Racal Telecom.

It added that at times it appeared as though traditional Racal companies and Racal Chubb Security had had a negative valuation. The board said its plans would add value for Racal shareholders. Racal Electronic's share price yesterday rose 16p to 182p, while Racal Telecom's shares were up 5p to 259p.

Sir Ernest Harrison, Racal Electronics chairman, said he planned to demerge Racal Telecom by selling Racal's remaining 80 per cent interest.

The other 20 per cent was floated in 1988. The Racal Chubb Security division is also to be demerged.

The group plans to distribute Racal Telecom and Racal Chubb Security shares to existing group shareholders in proportion to their holdings.

The remaining subsidiaries, including its data communications operations, radio group, defence avionics and oil exploration divisions, will be sold to a management buy-out team led by Sir Ernest.

The company was unable to say how much the deal might be worth or which bank would be advising the buy-out team. It said that any proceeds would be distributed to the shareholders.

Racal's move came the day before the government is to announce its intention to end the telecommunications duopoly. Racal is expected to be one of the companies to benefit from the abolition of the duopoly.

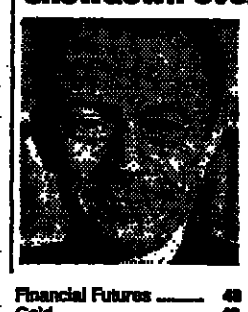
Analysts believed last night that Racal's break-up decision may have been prompted by stake-building by a north American telecom company.

One of the other last remaining independent British electronics companies, STC, last week agreed to a £1.9bn takeover by Northern Telecom, the Canadian telecommunications company.

Lex, Page 26;
Background, Page 27

CONTENTS

Rocard shapes up for a showdown over taxes



For 2½ years, Michel Rocard (left), the French prime minister, has slalomed successfully through the perils of running a government without a parliamentary major ity. But it appears his clear run is over
Page 3

MARKETS

STERLING
New York lunchtime:
$1.9635
London:
$1.9625 (1.967)
DM2.9050 (2.925)
FFr9.7625 (9.825)
SFr2.4525 (2.4575)
Y252.50 (255.0)
£ Index 94.0 (94.4)

GOLD
New York: Comex Dec
$383.3
London:
$382 (385.0)

N SEA OIL (Argus)
Brent Dec
$31.90 (34.30)

Chief price changes yesterday: Page 27

DOLLAR
New York lunchtime:
DM1.4790
FFr4.97
SFr1.2790
Y128.55
London:
DM1.4805 (1.4875)
FFr4.9750 (4.995)
SFr1.250 (same)
Y128.70 (129.70)
$ Index 60.1 (60.4)

All Tokyo markets were closed yesterday for the emperor's enthronement. The US bond market was closed for Veterans' Day

STOCK INDICES
FT-SE 100:
2,051.9 (+11.3)
FT Ordinary:
1,589.7 (+7.1)
FT-A All-Share:
890.49 (+0.5%)
New York lunchtime:
DJ Ind. Av.
2,526.49 (+37.88)
S&P Comp
318.06 (+4.32)

LONDON MONEY
3-month interbank:
closing 13¾%(13$\frac{13}{16}$-13¾)
Liffe long gilt future:
Dec 84$\frac{3}{32}$ (83$\frac{27}{32}$)

-US moves to alt transatlantic war of words

By David Buchan in Brussels

HIGH-LEVEL efforts will be made today in Washington to stop the verbal guerrilla warfare between the US and the EC on a new declaration of transatlantic solidarity.

The tension has arisen, because the US objects to references to the General Agreement on Tariffs and Trade, to the environment, and to the need to maintain financial stability and high employment, which EC foreign ministers yesterday agreed.

Prime minister Giulio Andreotti of Italy, which holds the EC presidency, and Mr Jacques Delors, the European Commission president, will see President George Bush today in one of the six-monthly summits prescribed in the new transatlantic relationship.

Yesterday EC foreign ministers agreed their version of the much-touted declaration. To be issued probably on the occasion of next week's Conference on Security and Co-operation in Europe, it is to mark the fact that the US now does as much, or more, of its diplomatic business with Europe through the Community as through Nato, and to express common values and interests that would hold the transatlantic world together, should Nato disappear as a serious military alliance.

What was designed to be, in the words of the EC ambassador in Washington, Mr Andreas Van Agt, a transatlantic "love letter" appears to have caused a considerable tiff.

Though Mr Andreotti can be counted on as a pourer of balm, Mr Delors was far from emollient yesterday when he complained to EC foreign ministers that the Americans had been treating Europeans like "plague-carriers" ever since work started on the declaration last summer.

But it is the Gatt farm subsidy issue – on which Mr Raymond MacSharry, the EC agriculture minister blasted the US again yesterday – that has been the real irritant.

Innocuously though the EC's call for the Uruguay Round to succeed seems to be worded, the US wants a totally different text. Therefore, the Italian presidency suggested last night that all reference to Gatt be cut out of the declaration.

Washington also objects to the EC calling for freer trade "at national and state level." Brussels complains that the most pernicious protectionism occurs at the level of individual US states, rather than the federal government.

There are other flies in the transatlantic ointment. Clearly wanting to avoid being committed to discussing the dollar with the Community, as may become necessary if the latter develops a monetary union, the US is objecting to a clause on macro-economic policy goals which include "a stable international financial system".

Gatt deal 'in jeopardy', Page 4

Delors sees energy as issue at CSCE talks

By David Buchan in Brussels

THE ISSUE of energy to heat the common European house should figure prominently at next week's 34-nation summit of the Conference on Security and Co-operation in Europe (CSCE), Mr Jacques Delors, European Commission president, urged yesterday.

EC foreign ministers agreed yesterday that their diplomats will this week examine the Commission's plan for a pan-European energy convention, encompassing the Soviet Union.

If the latter considers the preparation sufficiently far advanced, it could be presented to the CSCE summit in Paris.

Virtually the only reluctance shown to the idea came from Mr Roland Dumas, French foreign minister, who felt there was no point in rushing through a plan for a summit with more than enough on its plate already.

The progenitor of the energy convention was Mr Ruud Lubbers, the Dutch prime minister, who in June suggested a pan-European energy community, to serve the same political purpose as the post-war coal and steel community – in making war between its members unthinkable – as well as the economic aim of helping the Soviet Union realise its huge energy reserves and give the EC more security of supply.

Current Commission thinking is modelled on a British government paper suggesting that, as a first step, the EC, Efta, eastern Europe and the Soviet Union might sign a charter of general principles.

This could then be followed by protocols governing specific energy sectors.

Chief among these principles would be guarantees for foreign energy companies operating in the Soviet Union, which holds some 40 per cent of the world's gas and 7 per cent of its oil.

So far, only one Western company, Elf-Aquitaine of France, has signed a contract giving it exploratory and production rights inside the Soviet Union.

Poland's transport workers and miners threaten strikes

MUNICIPAL transport workers and coal miners have threatened nationwide strikes in the days leading up to Poland's November 25 presidential election, AP reports from Warsaw.

Transport workers stage a two-minute protest today, halting buses and trams. If their demands for higher subsidies for their companies are not met, they promise a two-hour strike on Friday and a 24-hour protest on November 20.

Miners, who stopped almost all coal output for two hours on November 5, promise a nationwide strike on November 20. The tension among workers represented by Solidarity comes as its chairman, Mr Lech Walesa, prime minister Tadeusz Mazowiecki and four other candidates campaign in Poland's first popular presidential election.

Protesting students chant slogans and wave banners in Paris yesterday

Paris schools demo brings out looters

HUNDREDS OF looters attacked shops in the Latin Quarter and Montparnasse areas of Paris yesterday, during an otherwise peaceful march by up to 200,000 teenagers demanding better conditions in French high schools, agencies report from Paris.

Mr Pierre Verbrugghe, the Paris police chief, ordered the protesters to disperse after bands of masked youths took advantage of the demonstration to break shop windows along the marchers' route and steal merchandise.

At least 10 policemen were injured, one seriously and several cars were set alight. Witnesses said the looting was carried out by fast-moving groups of youngsters, known to the public as "Zulus", from deprived outer suburbs of the capital.

Traffic was paralysed and six Metro stations were closed. Some 5,000 police patrolled the route of the march. Tens of thousands of youngsters also demonstrated in the cities of Marseilles, Lyons, Nantes, Clermont-Ferrand and Mulhouse.

Mr Lionel Jospin, the education minister, has increased next year's education budget by 9 per cent to FFr217bn (£22bn). But this and other measures have not satisfied the pupils.

Mixed feelings in Corsica over political reforms

By William Dawkins in Ajaccio

FRENCH GOVERNMENT plans to give more autonomy to Corsica, the country's poorest region, could spark unrest, local politicians warned yesterday. "This plan is politically dangerous and constitutionally futile. Who can tell where it will lead?" Mr Nicolas Alfonsi, a Socialist mayor warned during an emergency debate in southern Corsica's general council.

The session, the island's first response to the plan since it was tabled a fortnight ago, voted for an amendment to its proposed electoral reforms.

If accepted by the French parliament, the plan would strengthen the powers of Corsica's fragmented regional government, formally recognise the existence of the Corsican people for the first time, reform the electoral rules to encourage political stability, and draw up new voting lists to curb electoral irregularities.

Corsica has been viewed by the French government as a growing irritation since the failure of the last regional reform (in 1982) to stem the tide of separatist violence and solve the island's economic problems.

Around three-quarters of the Corsican electorate support the scheme, according to a recent survey, as do most younger politicians across respectable party boundaries. However, it is feared that the new electoral lists would disenfranchise thousands of Corsicans who live on the mainland, incidentally putting many politicians out of a job.

Mr José Rossi, president of the council – one of the two departmental bodies under the regional government – warned that Corsica could lose up to a third of the 200,000 people registered to vote. They would have to prove some economic or other link to Corsica to be eligible to vote for the new regional government planned in 1992.

"Nevertheless, we have a responsibility to give ourselves a responsible image," said Mr Rossi, who is charged by the Paris government with preparing a report on the response.

Several local councillors expressed fears that the scheme might provoke "unforeseen consequences" – a warning to be taken seriously in an island where 30 people have been killed by separatist terrorists in the past nine months.

Italian political row over 'resistance group' created by Nato

Cossiga agrees to talk on secret network

By John Wyles in Rome

MR Francesco Cossiga, the Italian president, yesterday publicly declared himself ready to reveal to a parliamentary committee his knowledge of the origins and working of the so-called Operation Gladio – the underground resistance network set up by Nato in Italy and other European countries during the escalation of the Cold War in the late 1950s.

The president's readiness to talk to a parliamentary committee has been welcomed by all parties, including the Communists, some of whose leaders recently seemed anxious to impeach him.

In the meantime, the Italian government has decided to seek the judgement of the Constitutional Court on the legality of an attempt by a Venetian judge, Mr Felice Casson, to seek Mr Cossiga's testimony on matters which the judge believes may link the Gladio network with neo-fascist terrorism.

Although there is no suggestion that the president may be guilty of wrongdoing during a ministerial career which certainly brought him into contact with Gladio in the mid-1960s, some politicians have succumbed to the temptation to use the affair to try to weaken his hold on office.

Mr Cossiga's term expires in July 1992.

He appears to have become aware of subterranean attempts within his own Christian Democratic Party to encourage him to think about advancing his departure from the Quirinale Palace.

In the last few weeks, he has made at least one public statement affirming that he will serve his full term.

Non-Christian Democrat political leaders are questioning the handling of the Gladio affair by the prime minister, Mr Giulio Andreotti.

Above all, they wonder about his motives in sending all the official documents relating to the matter to the parliamentary committee which deals with terrorist bomb explosions and similar activities. They say the dossier should have gone to the committee which monitors the secret services.

Instead, Mr Andreotti has successfully created in the public mind a connection between Gladio and possible terrorism, creating great clamour from the communists who have traditionally feared, with some justice, that the secret services were dedicated to discrediting them.

Mr Giorgio La Malfa, the Republican Party leader, told foreign journalists yesterday that the subsequent political uproar has served to close deep divisions in the Christian Democrats and the Communists, Italy's two largest and most fractured parties.

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EUROPEAN NEWS

Rocard shapes up for a showdown over tax plans

France's PM faces a united opposition over controversial legislation, writes George Graham

FOR THE past 2½ years, Mr Michel Rocard, the French prime minister, has slalomed successfully through the perils of running the French government without an absolute parliamentary majority.

He is now preparing for yet another showdown, as opponents from right and left come together to contest his plans for a new social security tax, called the *Contribution Sociale Généralisée.*

The CSG will be levied at the rate of 1.1 per cent on all income, including investment earnings, whereas social security contributions, as they now stand, are calculated only on salaries.

It is expected to raise around FFr37.5bn ($7.37bn) but will be entirely offset by cuts in other social security contributions.

It has, nevertheless, aroused a heterogeneous alliance against it: employers and most trade unions, the Gaullist RPR and the Communist party, not to mention some cautious disapproval from some members of Mr Rocard's own Socialist party.

Much of the hostility appears to be based on vested interests.

France's social security system has been run since the war by the employers' federations and, especially, by the unions. The government merely fixes contribution and pay-out levels.

Union leaders fear the reform is a stalking horse for a state takeover of the system. They have expressed their anxieties in a coded theological debate on whether the CSG is in fact a tax or, instead, a social security contribution.

"If we really have to debate the sex of the angels, then the CSG is a hermaphrodite," comments Mr Lionel Stoléru, the planning minister.

Mr Rocard is now an old hand at steering bills through parliament by obtaining the abstention of either the Communists or the centrists.

If necessary, the constitution allows him to put his government's responsibility on the line. The legislation is then carried without a vote, unless the opposition lays down a motion of censure and succeeds in mustering an absolute majority in parliament — *abstentions count for the government.*

The right-wing opposition is preparing to put forward a censure motion over the CSG, as it has done several times since Mr Rocard took office, so far without managing to raise the necessary votes.

This time, however, the Communists have made up their mind to vote with the right on the motion, which is expected to come before parliament next Monday.

France's Communist party has remained unperturbed by decades of dwindling electoral scores, and unrepentant in the face of the collapse of communism in eastern Europe.

With a party congress looming in December, however, Mr Georges Marchais, its secretary-general, has decided to give his surviving militant supporters something to cheer about.

He has reversed his traditional refusal to vote with the right in order to overthrow a Socialist government.

"The Communists' decision has nothing to do with the CSG, and everything to do with their congress. They will vote against us first to show that they are still capable of it, and second to prove that government is saved by the right, and is *therefore* a right-wing government," commented one Socialist official.

On the face of it, therefore, the government is facing the most difficult parliamentary challenge of the past 2½ years; all the more so, since it takes place against the background of a series of big demonstrations by secondary school students protesting against the strains in the education system.

Mr Rocard's advisers, however, are displaying a serene assurance. "People say that the difference between Rocard and his predecessors is that they had a majority and he does not; in fact, his predecessors had a majority and Rocard has several," commented one.

This serenity has been reinforced by the reversion of the right-wing opposition parties to their old habit of spending more time fighting among themselves than against the Socialists.

The centrists of the UDC have been so incensed by the strong-arm tactics employed by the Gaullist RPR and the centre-right UDF to compel them to vote for the censure motion that some are now threatening to break ranks out of sheer pique.

The UDF and the RPR, meanwhile, have contrived to fall out over plans to organise a system of primaries to ensure that the right presents only one candidate at the next presidential election, due in 1995.

The prime minister's aides are counting on 272 Socialist members of the 577 seat parliament and 15 MPs without formal party affiliation but aligned with the government.

The censure motion may even compel the Socialist group, which had harassed the government with a series of amendments to the CSG bill, to close ranks.

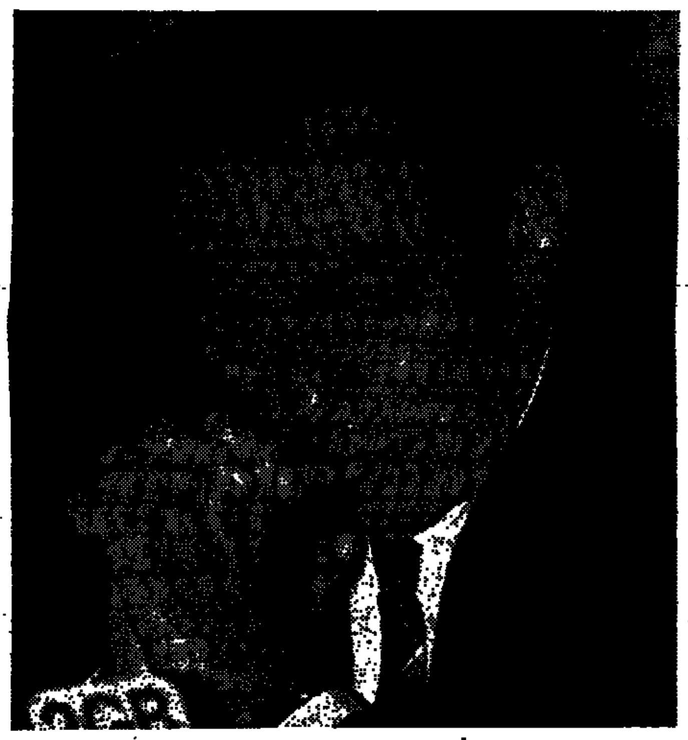
This leaves Mr Rocard looking for only two more abstentions to stop the opposition from achieving the 289 votes it needs.

His aides are confident of finding these votes among the remaining unaffiliated members of the UDC.

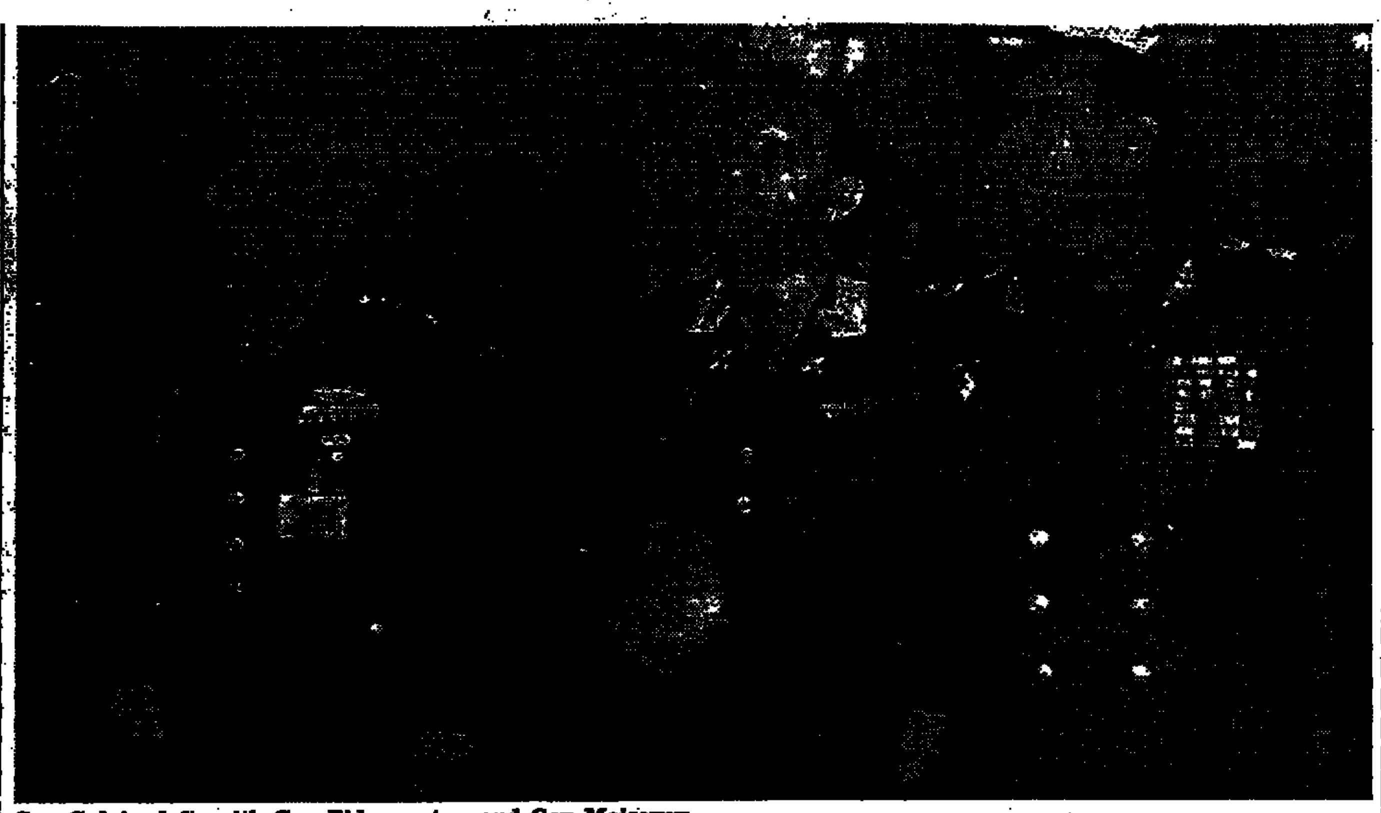
There are MPs who do not really want the government to fall; others who wouldn't mind, but are not prepared to join hands with the Communists to achieve this; and others whose business interests forbid them doing anything to annoy any government.

Mr Rocard's advisers go even further, however: they argue that when the censure motion fails, the illusion that the government survives only thanks to the benevolence of the 26 Communist MPs will be dispelled and parliament can get down to serious work.

In fact, it may simply prove what many have suspected: that the most dangerous threats to the prime minister will come from his own party, many of whose members suspect him of social democrat leanings, or from deeper-rooted social currents such as the students' unrest.



Michel Rocard: used to running affairs without a parliamentary majority, but facing one of toughest challenges



Gen Galvin, left, with Gen Eide, centre, and Gen Moiseyev.

NEWS IN BRIEF

Papandreou ordered to testify

Mr Andreas the former Greek Socialist prime minister who faces trial in a $200m bank scandal, was yesterday summoned to testify before a special investigating magistrate, Reuter reports from Athens. Court sources said special magistrate Spiros Spyrou ordered Papandreou to testify on November 22 in connection with the alleged scandal, at the private bank of Crete, that contributed to his election defeat in June 1989.

Gorbachev to sign Italian treaty

Soviet President Mikhail Gorbachev will visit Rome next Sunday to sign a Soviet-Italian friendship treaty and two economic agreements, Italian officials Italy announced yesterday, Reuter reports from Rome.

9,000 French troops to be withdrawn

France said yesterday that about 9,000 troops based in Germany, almost 20 per cent of its total force there, would be withdrawn in 1991, Reuter reports from Paris. The 3rd Armoured Division would be dissolved and transferred to other French army units, the Defence Ministry said.

Nato's allied forces chief visits Moscow

US GENERAL John Galvin, making the first visit to the Soviet Union by a Nato supreme allied commander, met Soviet Defence Minister Dmitry Yazov yesterday and visited a military base outside Moscow, Reuter reports from Moscow.

Gen Galvin and Nato's military committee chairman, Gen Vigleik Eide of Norway, who arrived in Moscow on Sunday night, also met Gen Mikhail Moiseyev, the Soviet Chief of General Staff.

No details of their talks were released. However, they were expected to focus on plans to cut the level of conventional forces in Europe.

Gen Galvin's five-day visit is part of an exchange programme between Nato and the Warsaw Pact.

The once-powerful Warsaw Pact faces disintegration after the collapse of communist governments in its member countries. Three weeks ago, Mr Moiseyev paid the first visit by a chief of the Soviet General staff to Nato headquarters in Brussels.

Tass, the Soviet news agency, said Gen Galvin visited an armoured division outside Moscow and watched combat training. He is also expected to meet Mr Eduard Shevardnadze, the Soviet foreign minister and President Mikhail Gorbachev.

Danish 'no tax' MP at centre of fresh row

By Hilary Barnes in Copenhagen

MR MOGENS GLISTRUP, the politician who once proposed that Denmark cut its defence budget to the cost of an answering machine saying in Russian, "We surrender", is again at the centre of a political row.

Mr Glistrup, 64, is close to being thrown out of the Progress party, which he founded in 1972 on a platform of scrapping income tax and slashing the public bureaucracy.

He has already announced formation of a new party, the Prosperity party, the programme of which, he says, will include expulsion of all Moslems from Denmark, lower taxes and higher old-age pension. But he insists he is not yet a member of the new party, which as yet has no members. "I shall remain a member of the Progress party until I am thrown out," he said at the weekend.

It is expected a majority in the Progress party's 16-member Folketing group will expel him this week. If so, several other members will follow him into the new party.

The Progress party split is bad news for Prime Minister Poul Schlüter's minority coalition government, which needs backing from either the Progress party or the main opposition Social Democrats, for sensitive legislation, including tax and labour market reforms and the 1991 finance Bill.

The Progress party split will increase the leverage the Social Democrats have on the government, leaving Mr Schlüter with a choice between yielding to Social Democrat demands or calling an election.

WORLD TRADE NEWS

Gatt deal in jeopardy, says Dunkel

By William Dullforce in Geneva

THE MEETING in Brussels in three weeks at which world trade ministers are due to complete the Uruguay Round trade talks is now in jeopardy, Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, acknowledged yesterday.

After the breakdown in the negotiations on agricultural reform, Mr Dunkel said he could not see how negotiators could produce a workable basis for ministerial decisions in Brussels, unless governments' made basic changes in their positions in the next few days.

Farm negotiators decided to break off talks on Saturday after the US and the 14 farm-exporting nations in the Cairns Group rejected the EC's long-delayed offer to cut farm subsidies by 30 per cent as a basis for negotiation.

Mr Dunkel sketched a possible compromise on agriculture. The essential political problem was to combine (US and Cairns Group) demands for specific commitments (from the EC) on greater market access and on cuts in export subsidies with a realistic programme for farm reform, Mr Dunkel said.

The implication was that the US and Cairns Group's demands for 90 per cent cuts in export subsidies and 75 per cent in other farm supports were not realistic.

However, Mr Dunkel also listed the political decisions needed to break blockages in other core areas of the trade talks, such as services, textiles and clothing, subsidies, anti-dumping and intellectual property rights.

The developing countries also voiced their concern at the critical state of the talks. Asking for the postponement of a meeting scheduled to examine what special benefits the developing countries could draw from the Round, Mr Rubens Ricupero, the Brazilian ambassador, said it was now impossible to effect such an assessment. Developing countries' concerns had become entangled in a much more serious crisis in the talks.

He hoped that the meeting could be reconvened "while there are still signs of life; we do not wish to carry out an autopsy".

The fate of agricultural reform and of the Round as a whole will be determined this week away from the centre of negotiations in Geneva. The trade talks figure alongside the crisis in the Gulf on the agenda for today's meeting in Washington between President George Bush, Mr Jacques Delors, President of the EC Commission, and Mr Giulio Andreotti, Prime Minister of Italy,'which currently holds the EC presidency.

The question asked in Geneva is whether the US and the EC can afford to open up a wounding quarrel over agriculture and trade when maintaining international cooperation against Iraq is of primordial consequence in western capitals.

But, while the Washington meeting underlines the geopolitical significance of the stalemate in the Round and could inject some top-level determination to find solutions, hopes for specific tangle-cutting deals are pinned to the half-yearly EC-US economic summit in Brussels on Friday.

Hills: sees little hope that farm talks can be salvaged

Hills joins Yeutter in effort to stave off collapse of Round

By Nancy Dunne in Washington

MRS CARLA Hills, US trade representative, leaves for Europe tonight to join forces with Mr Clayton Yeutter, US Agriculture Secretary, in a final effort to save the Uruguay Round from collapsing over the issue of farm trade reform.

"There's three weeks left, and we're doing everything we can," said a spokeswoman for Mrs Hills.

She said she had little hope the agriculture negotiations could be salvaged.

It is not known if the US has any new suggestions for breaking the stalemate. The effort now seems to be to isolate the Community and press particularly hard on the need for export subsidy reductions and market openings to foreign farm goods.

Mrs Hills and Mr Yeutter will meet Mr Hans-Dietrich Genscher, German foreign minister, and Mr Theo Waigel, German finance minister, in Bonn.

From there, Mrs Hills will go to Geneva to meet, in advance of the US-EC ministerial meeting, French officials and a delegation of American congressmen observing the progress of the talks.

US officials are also under pressure from American industry over industrial subsidy negotiations.

A report released on Friday by the President's Advisory Committee for Trade Policy and Negotiations, headed by Mr James Robinson III, chairman of American Express, indicates frustration over the current state of the talks, and attributes the limited progress to lack of "political will" by foreign governments.

With a warning that sector support for a final package cannot be assumed, it insists that a successful industrial subsidies agreement must include more discipline, especially in the area of domestic subsidies; broader country coverage, particularly in the developing countries; and the preservation of an effective countervailing duty system.

Patent differences holding up deal to protect ideas

Robert Rice on growing block to Uruguay Round agreement on intellectual property

AGREEMENT on better enforcement of rules for protecting intellectual property is being held up in the Uruguay Round of multilateral trade negotiations because of differences between industrial countries over patent law.

The talks have long been seen as essentially a North-South issue. But patent experts say the dispute could become a far greater obstacle to a successful outcome of the negotiations than the insistence of developing countries that intellectual property rules should remain the responsibility of the World Intellectual Property Organisation rather than be transferred to the supervision of the General Agreement on Tariffs and Trade.

The industrial nations are at loggerheads over the patent system to be adopted under any Uruguay Round agreement. The eventual compromise could have profound implications for the operation of patent law in the main developed markets.

The US, which has been at the forefront of the fight against patent infringement in the Third World, believes it has earned the right for its first-to-invent system for awarding patents and its lengthy enforcement procedures to form the basis of the Gatt regime.

The rest of the world, which grants patents on the simpler basis of the first-to-file an application, believes the US system discriminates against foreign applicants and foreign patent holders.

Foreigners seeking to obtain patent rights in the US are obliged, for example, physically to ship their laboratory notes to the US. For the purposes of US law, landing of the notes and their authentication by a local attorney counts as the moment that the invention of a product or process takes place.

Japan and the EC stand shoulder to shoulder in opposing moves for the US system to be adopted by Gatt.

The British Technology Group, which was set up in 1949 to facilitate the transfer of technology from universities and research institutes to industry worldwide and is the largest technology transfer body of its kind, says the rest of the world is losing patience with the cost and delays associated with defending patents in the US.

The group's recent experience fighting the US Defence Department over the use of Hovercraft patents owned by BTG led its chief executive Mr Ian Harvey to warn recently that patent defence in the US is now beyond the budget of many British companies.

When BTG applied for the original Hovercraft patents in the 1950s there was an "interference". When two applications conflict in the US, the patent office can begin what are called interference proceedings, which can take decades, to determine who was the first inventor. A long drawn out battle followed to establish the primacy of the inventor Sir Christopher Cockerell.

Then in the mid-eighties BTG found itself having to bring infringement proceedings against the US Defence Department for use of its Hovercraft patents without payment of royalties. The case was settled in March this year when the US government agreed to pay \$6.1m (£3.14m) in compensation. But it had taken the BTG five years and cost it \$1.2m in legal fees to achieve this.

Establishing the right to a patent under the first-to-invent regime is frequently a lengthy and expensive process, Mr Harvey says. Gordon Gould, inventor of the laser, took 30 years and \$6m fighting the US government and big business to win patents for one of the greatest advances in modern science. It was only in 1988 that he finally secured the last in a series of victories in the US courts which gave him control of patents covering 90 per cent of the lasers used and sold in the US. His patents directly affect \$500m in annual sales of lasers in the US.

Mr Harvey also believes the US litigation system, where each party pays its own court costs, encourages infringers in the US to mount spurious defences, keeping the issue in the courts for five years or more in the hope that the patent holder will capitulate in the face of rising costs and the knowledge that if he wins the infringer is only going to have to pay the royalties he should have paid in the first place.

He believes however that if the EC and Japan stand firm on adoption of a first-to-file system there is sufficient support within the US for reform of its own system that it may still be possible to reach agreement in Brussels next month on the substantive rules for extending Gatt to cover intellectual property.

The key, he says, is still the issue of farm reform. If the US remains dissatisfied with the EC's proposal to cut subsidies by 30 per cent the EC may not find itself in a strong position to start demanding concessions from the Americans on intellectual property.

GEC Alsthom turbine deal

GEC Alsthom, the French electrical engineering group, has won a FFr132m (£13.3m) contract from Electrabel and Société Coopérative de Production d'Eléctricité of Belgium for two steam turbines, George Graham reports from Paris.

The 175MW turbines, for which GEC Alsthom says it beat off bids from Siemens and ABB, will be installed at Drogenbos and Seraing. Compagnie Générale d'Electricité combined its Alsthom unit with the power engineering activities of Britain's GEC in 1989.

Rig-builder rejects suit

FAR EAST Shipbuilding Ltd (FELS), the rig-building subsidiary of the Singapore state-controlled Keppel Corporation, is confident it will prevail in a S\$656m (£196m) lawsuit filed against it and a subsidiary by a US rig-builder, Joyce Quek reports from Singapore.

Capital Maritime Corporation filed the suit against FELS and its 60 per cent-owned Amfels Inc, alleging breach of contract to build three offshore drilling-rigs. FELS said Amfels did not have a binding contract with Capital Maritime.

Mexico and S Korea agree OECD codes of practice

By Peter Montagnon, World Trade Editor

MEXICO and South Korea have become the first advanced developing countries to sign up to specific industrial codes of practice established by the Organisation for Economic Co-operation and Development.

The move underlines the closer relations which the OECD has begun to seek with non-members, although it falls far short of an application by these countries to join the Paris-based body which links 24 leading industrial countries.

Mexico has joined the OECD arrangement on steel, while South Korea has joined that on shipbuilding. Founded to help cope with world over-capacity both codes, carry obligations on members to limit subsidies. That on ship-building also involves a limit on concessions granted through official export credits.

The South Korean move comes as the OECD is working to revise its shipbuilding code under pressure from the US. Unlike a similar effort to reduce subsidies in steel, this is being handled by the OECD rather than the General Agreement on Tariffs and Trade because traditional Gatt concepts such as anti-dumping have no relevance to the shipbuilding industry.

The agreements are intended as a further test of the OECD's ability to co-operate as an institution with the outside world. It has recently begun to extend its reach in this area by stepping up contacts with nations of both the developing world and eastern Europe.

Some trade officials say the OECD could eventually play a more prominent role in international policy discussions, especially those which link trade with competition policy and the environment.

The push in this direction is likely to become considerably stronger if the Uruguay Round of multilateral trade negotiations fail. One school of thought in the US favours the idea of an OECD free trade and investment area, though this would also have to include the most advanced developing countries, particularly the newly industrialising economies of Southeast Asia.

INTERNATIONAL NEWS

● THE MIDDLE EAST

Hassan's Arab summit call strikes chord

Tony Walker assesses the prospects of a 'last chance' attempt at a regional solution

WHEN Soviet President Mikhail Gorbachev suggested in Paris recently that the Arabs might wish to revive their own faltering efforts to find an Arab solution to the Gulf crisis, he received short shrift from Mr Hosni Mubarak, Egypt's president.

Mr Mubarak, leader of the pro-Western camp in the Arab world, said brusquely there was no point in convening a gathering to discuss the crisis since the participants were so divided the occasion would surely descend into quarrelling and name calling.

But over the weekend, in another of those abrupt political wind shifts so characteristic of the world's most volatile region, prospects were revived for renewed Arab efforts to promote a peaceful solution.

Just when talk was increasingly turning to war after President George Bush's announcement last Thursday that he was doubling the US military commitment to the Gulf, stuttering Arab efforts to head off a catastrophic conflict were energised.

The call by King Hassan, the Moroccan leader, for a "last chance" Arab summit to resolve the crisis peacefully certainly appears to have struck a chord in an Arab world growing more fearful of the likelihood of war.

Backing for an Arab summit came from the Palestine Liberation Organisation and Jordan, both supporters of Iraq, while the anti-Iraq bloc led by Egypt reacted more cautiously; although the Egyptian, Saudi and Syrian foreign ministers themselves renewed calls at the weekend for an "Arab solution".

While support exists among the Arabs for a fresh attempt to resolve the conflict by negotiation, the question remains whether Iraq itself is willing to show flexibility on demands that it withdraw unconditionally from Kuwait.

The PLO's Yassir Arafat and Chinese foreign minister Qian Qichen at a press conference in Baghdad yesterday: support for Hassan's Arab summit call

Egypt, for one, is unlikely to accept at face value any undertakings by President Saddam Hussein, the Iraqi leader. Mr Mubarak will not have forgotten his humiliation over promises he made on the Iraqi ruler's behalf just days before the invasion on August 2 that Iraq had no designs on Kuwait.

The Arabs, no less than the west, have every reason to be intensely sceptical of anything Mr Saddam might say, especially when he is desperately playing for time and is likely to to seize any opportunity to forestall the outbreak of war.

Iraq's leader told a British television interviewer at the weekend that he would be prepared to discuss Middle East security questions without preconditions, provided the Palestinian issue was included.

This statement was seen in some quarters as an indication of flexibility, but of itself it was little different from an Iraqi offer on August 12 to discuss possible withdrawal from Kuwait, provided other Middle East disputes were on the agenda and the discussion began with the Palestine question.

Leading Palestinians in Jordan claiming to be privy to Mr Saddam's thoughts, say his private position on withdrawal is much more flexible than his public statements might indicate. However, he would need a "face-saving formula" to enable him to reverse the occupation of Kuwait, such as progress towards a resolution of the Palestine question.

Iraq's first reaction to King Hassan's call for a summit was not promising. An official Iraqi statement said a summit should not convene while foreign forces remained in Saudia Arabia.

But Arab and western officials saw this as an opening response while Iraq assessed the pitfalls of agreeing to participate in such an event, at which it was certain to come under pressure from all sides, and the failure of which might hasten the slide towards war.

Baghdad will have noted that King Hassan in his summit call said heads of state should meet "on the basis of the consensus of the international community". In other words, UN resolutions demanding Iraq's unconditional withdrawal from Kuwait, the release of hostages and restoration of Kuwait's legitimate government would be the focus of summit deliberations.

The question is whether Iraq feels itself under such pressure from economic sanctions and the US-led military build-up that it is willing to co operate in genuine efforts to find an "Arab solution" and therefore a way out, or whether it calculates time is not yet right for big concessions. The danger is that Baghdad will wait too long.

As Mr Mubarak said last week in an interview with the New York Times, unless Iraq pulled out of Kuwait war was inevitable with "the greatest concentration of military force I have ever seen in this area".

Iraqis keep hostages on the move

By Jimmy Burns

WESTERN hostages held in Iraq are being moved between sites to maximise their effectiveness as "human shields" with the apparent aim of keeping the allies guessing they are.

This emerged during an account given yesterday in London by Mr Jean-Michel Leturcq, a recently released French teacher who was held at three Iraqi installations. He was aboard the British Airways flight which landed in Kuwait on the morning of the invasion. He was on his way to a holiday in the Far East.

On August 6 he was taken to Baghdad and held in a hotel until August 16. He was then told at he was to have no further communication with the French embassy and together with 25 other French subjects, a German, and Englishman was taken to a munitions factory at Habbanya.

"Our Iraqi guards kept telling us, 'you're our guests, you're only here for your own protection'. But the day I tried putting it to the test by trying to leave, they came running after me..."

The hostages, who were joined by Americans, and Japanese, were housed in a bungalow beside the factory. On September 24 he was separated from the others and later that night driven was to another installation - a steel factory, 60km north of Baghdad. He noticed another group of hostages being brought into the munitions factory.

"Every time we tried to organise ourselves as a group, they'd come and separate us and take some of us off somewhere else. We never knew when or to where they'de move us," said Mr Leturcq.

Before being released, Mr Leturcq was taken to a third installation- the Alexandria munitions factory, 50km south of Baghdad which hostages regard as having the worst living conditions of any site.

Saudi women punished

By Lara Marlowe in Dhahran

SIX Saudi women professors have been suspended by royal decree from their teaching positions at King Saud University for demanding the right to drive cars, in a severe setback for the country's fledgling women's rights movement.

Women in the Eastern province yesterday cancelled plans for a second protest against the traditional ban on female drivers in the kingdom, following the harsh reaction to the November 6 demonstration when about 50 women drove around the outskirts of Riyadh until stopped by police.

The women's elation at their own daring was short-lived. Students gathered hundreds of signatures for a petition demanding their removal and a committee of legal and religious scholars was formed to examine the matter.

Although the committee concluded that no laws had been broken, the opprobrium remains and the professors were suspended.

In recent weeks, Saudi women have questioned why they are not allowed to drive, while female American soldiers can be seen at the wheels of military vehicles. They also say that should war break out they would need to be able to drive for their own safety.

Israel offers UN deal on visit by emissary

By Judy Maltz in Jerusalem

ISRAEL, hoping to mend a rift with the US and deflect international criticism, has agreed to receive a United Nations emissary, but not on the basis of a UN Security Council resolution condemning last month's police killing of at least 17 Arabs at the Temple Mount

Israel's declared grounds for rejecting the recent proposal to send a UN mission to investigate the killings was that it called into question its sovereignty over East Jerusalem, which was annexed in 1967.

Mr David Levy, the foreign minister, said that in return for Israel's acceptance of an emissary, the US had said it would press the UN to end its debate of the Temple Mount issue.

"The Americans will take steps to remove the subject of the Temple Mount from the Security Council agenda. Co-operation will be restored between Israel and the United States in all matters connected with the Security Council," Mr Levy said after a meeting of the parliamentary foreign affairs and defence committee.

Mr Levy said Israel and the US had negotiated the compromise over the past 10 days. Tension between the two countries has grown since Israel rejected a US-backed UN resolution condemning Israel.

A foreign ministry official said the proposal to receive a lone emissary would be forwarded to Mr Javier Pérez de Cuéllar, the UN secretary general.

He added that no date has yet been set for the arrival of the UN representative, who is expected to be Mr Jean Claude Aime, an aide of Mr Pérez de Cuéllar.

Mr Yitzhak Shamir, the Israeli prime minister, invited Mr Aime to Israel in June, to discuss the occupied territories.

The invitation, which followed the killing of seven Palestinian workers in Israel, represented a similar attempt by the Jewish state to head off UN calls for the placement of observers in the territories.

Beirut wonders if theatrical pullout will end in tragedy

By Lara Marlowe

DESPITE the evacuation from Beirut of several hundred gunmen in a week, the Lebanese may be forgiven for wondering if the scheduled withdrawal of thousands of militiamen by next Saturday is not merely a theatrical replay of at least four earlier pull-outs.

Dismantling demarcation lines and disbanding the militias has been a constant theme of all Lebanese peace plans. When the feat was last attempted in 1987, Syrian soldiers shot dead Druze and Hizbollah militiamen found carrying weapons in the city.

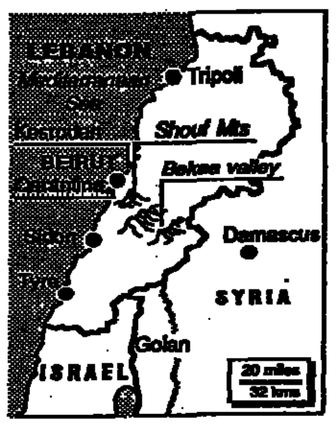
Now, once again, the power of Syria, which maintains 40,000 troops in Lebanon, is crucial to the undertaking. Gen Emile Lahoud's Lebanese army is nominally responsible for taking over militia positions but, with superior arms, training and political determination, the Syrian troops interspersed among them will exercise overall control.

The October 1989 Taif peace accord called for the "disbanding" of all Lebanese militias. Yet "disbanding" has been replaced by a less ambitious plan to relocate the militias to their respective zones of influence – the Maronite Phalangists to the Kesrouan coastal strip north of Beirut, the Hizbollah to the Bekaa Valley, the Druze to the Chouf mountains and the Shia Amal militia to the southern city of Tyre.

Hence "Greater Beirut" – like the northern Lebanese city of Tripoli – could become a relatively peaceful Syrian policed city state beyond the boundaries of which militia rule continues.

When the Syrians entered east Beirut on October 13, they brought with them Mr Elie Hobeika and his breakaway Phalangist militia. Mr Hobeika claims he is transforming the group into the Party of Promise, but its real use as a political and military counterweight to Mr Samir Geagea's Phalangists cannot be ignored.

Furthermore, Mr Geagea's gunmen are abandoning their positions in the east Beirut Christian quarter of Ashrasieh. They have been allowed to maintain their headquarters in



adjacent Qarantina, next to Beirut port. The reopening of the Beirut-Damascus highway has saved motorists an hour's detour through the Chouf mountains but deprives Mr Walid Jumblatt, the Druze leader, of the highway taxes he needs to run his fiefdom.

Nor are the militia leaders pleased by reports that they will be excluded from President Elias Hrawi's new government, which is to be formed after the establishment of the militia-free Greater Beirut. Mr Jumblatt and Mr Nabih Berri, Amal's leader, are ministers in the present government. Mr Geagea wanted a Cabinet post in the next government. Like the thousands of gunmen who claim allegiance to them, militia leaders are reluctant to accept unemployment.

In the meantime, recent statements by US officials that as many as 15,000 Palestinian fighters in the southern city of Sidon will have to be disarmed and that Israeli and Syrian troops must leave Lebanon, appear to be utopian goals. The Israelis have said they will not leave their "security zone" in south Lebanon and Syria has always maintained that it will not leave Lebanon as long as Israelis occupy the south.

The Palestinians have rejected the US demand, saying they are not a militia but a "liberation movement". If Greater Beirut can be established it will at least provide a respite for up to half of Lebanon's population. But the threat of war will shift south.

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ZURICH INTERNATIONAL
GLOBAL SECURITY

Hong Kong accused on boat people's rights

By John Elliott in Hong Kong

HONG KONG'S government was accused yesterday by a High Court judge of violating international civil rights conventions when it detained 111 Vietnamese boat people in May 1989 and refused them permission to sail on to Japan.

Mr Justice Sears said the Hong Kong government had behaved like a "rubber stamp administration at its worst" while granting the boat people a writ of habeas corpus and accepting their claim that they had been illegally held since they arrived in May 1989. He ordered that they should be released from detention.

But the government swiftly hit back yesterday by arresting eight representatives of the 111 as they left the court. The remainder were re-arrested in the Whitehead boat people detention centre and the entire 111 were then transferred yesterday afternoon to an immigration centre, pending probable deportation as illegal immigrants.

First, however, the government is expected to appeal against yesterday's judgment, and lawyers representing the boat people said yesterday that they would appeal against the new arrests.

The judge was outspoken in his criticisms of the government, accusing it of carrying out "arbitrary detention".

He also accused Mr Astley Asprey, Hong Kong's secretary for security, of mounting a challenge by the executive against the judiciary when he warned in court last week that the 111 would be arrested if they won their habeas corpus writ.

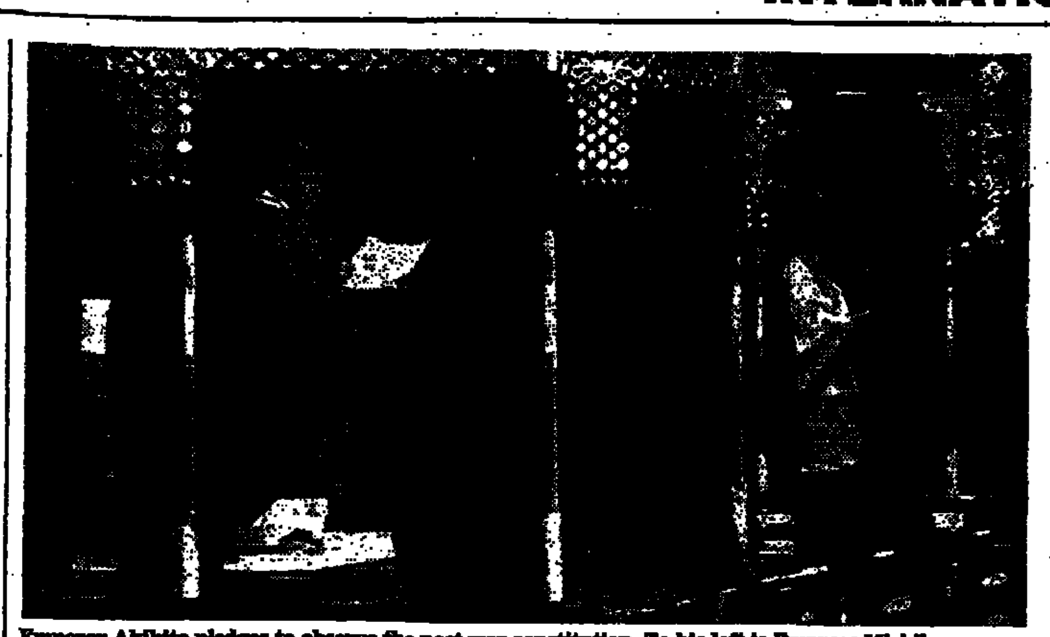
When the 111 sailed into Hong Kong waters, they asked for their steel boat to be repaired. They wanted to sail on to Japan where they expected to be treated as full refugees instead of going through Hong Kong's laborious screening process, under which they could be repatriated to Vietnam.

But Hong Kong had by then abandoned its earlier policy of repairing boats and allowing them to sail on after one, whose repairs cost HK$200,000 (£13,000), was later sold on the Chinese coast by boat people who then returned to Hong Kong.

The 111 deny a government claim that they gave permission for their boat to be destroyed. Supported by human rights lawyers, they have pursued their legal case.

Now the government is caught up in an internationally embarrassing clash with its judiciary, for which there is no easy solution. The 111 are refusing to be screened like other boat people, so they cannot be kept in Hong Kong as would-be refugees. But they have no travel papers, so they cannot be treated as if they were in transit.

There is a total of just over 53,000 Vietnamese in Hong Kong's detention centres and open camps, but there is as yet no sign of other groups trying to use the legal case as a precedent.



Emperor Akihito pledges to observe the post-war constitution. To his left is Empress Michiko.

Imperial show of quiet simplicity

By Ian Rodger in Tokyo

FOR A few minutes yesterday, the Seiden Hall of the Imperial Palace in Tokyo could claim to be the centre of the world.

As princes and prime ministers from 158 countries looked on, the Japanese imperial family, all in gorgeous traditional costumes, advanced slowly and silently along a sunlit passage to the room where Emperor Akihito would proclaim his enthronement.

The emperor himself, in a fantastic, bulging ochre-hued robe, then shuffled his way to the hall and disappeared into a canopied raised throne.

After a pause, gongs clanged, the guests rose, the canopy was opened, and the emperor slowly read a brief proclamation. The first occupant of the Chrysanthemum Throne destined not to be a living god made a simple pledge to respect and honour the post-war constitution – which makes him a run-of-the-mill constitutional monarch – and the unity of its people.

Advance explanations of the enthronement ceremony by imperial household agency officials had made it seem spare to the point of being meaningless, not least because all religious regalia had been stripped away out of deference to the constitutional demands for the separation of church and state.

In the event, the ceremony's quiet simplicity was elegant and moving, disturbed – for non-Japanese at least – by the closing *banzai* cheer, led by the prime minister, Mr Toshiki Kaifu (government officials had made clear that foreign guests were not expected to participate in a cheer that evokes memories of Japanese military ritual during the second world war, and none did).

The subsequent three-mile parade from the imperial palace to the emperor's home was also subdued, probably because of the suffocating security, with at least one policeman posted in front of the crowd every four metres.

As the imperial couple's open Rolls-Royce, specially ordered for the occasion, passed by, many of the 117,000 people lining the route waved their rising sun flags, but only a few cheered or shouted *banzai*. At one point, jittery policemen pounced on two youths who were lighting firecrackers.

Away from the formalities, things were more chaotic. Despite the presence of some 37,000 police in the capital area, the authorities counted 29 incidents of sabotage by anti-imperialist groups, including mortars hitting Self Defence Force bases, smoke bombs exploding in the underground and fires set in railway stations.

Cracks appear in the other Korean divide

John Ridding reports on an election with unusual significance for east-west divisions

AN ELECTION in Yonggwang-Hampyong, a rural constituency in south-west Korea, would normally attract little interest beyond that of the 95,000 voters who comprise the electorate there.

But a by-election there last weekend for a seat in the national assembly held unusual significance. Mr Lee Su In, the candidate for the Party for Peace and Democracy, which holds sway in the constituency and the surrounding South Cholla Province, won the seat easily. What was unusual is that Mr Lee comes from Taegu, the capital of the eastern province of north Kyongsang and the power base of the ruling Democratic Liberal Party.

Not since the 1950s has a candidate from Kyongsang stood for election in Cholla, or a Cholla resident stood in Kyongsang. This is no accident. It reflects the strength of regional sentiment which, as much as any other factor, determines how Koreans vote and reveals ingrained prejudices between Korea's provinces.

"We are trying to achieve a breakthrough in the serious problem of regionalism," says Mr Choi Sang Woon, special adviser to the PPD. "We have to reconcile east and west before we can unite North Korea and South Korea."

On a political level, the strength of regionalism is shown in previous election results. Mr Kim Dae Jung, the leader of the PPD, won 73 per cent of the votes in the 1987 presidential election in north Cholla, but a mere 2 per cent in North Kyongsang. In the parliamentary elections the following year, the PPD won all the seats in north Cholla, all but one of the 18 seats in south Cholla but none in either north or south Kyongsang.

Beneath these figures lies a broader and ingrained set of prejudices. Inhabitants of Kyongsang are often reluctant to marry someone from the Cholla region, while workplaces are often split along the lines of their employees' regions.

"It is a very serious problem," says Mr Lee Tae Sup, a former cabinet minister and national assembly member of the ruling Democratic Liberal Party. "It is very apparent in the political scenery and I am afraid that it is also in the minds of the people."

It is also a surprising problem in view of the homogenous nature of Korean society. South Korea's 43m people speak the same language and share the same culture, while religious divisions do not run along regional lines.

A number of scholars argue that the rivalry between Cholla and Kyongsang, the strongest of the antagonisms between Korea's provinces, dates back about 1,300 years to the period of the three kingdoms (57BC-668AD). At this time, the Shilla Kingdom in the south east vied with the Paekche Kingdom in the south west and the Koryo Kingdom in the north for influence on the Korean peninsula.

But the current antagonism seems to have much more recent roots. "You cannot pinpoint the time," argues Professor Song In Sung of Chonnam National University, "but it really emerged after President Park Chung Hee came to power in 1961 and in particular after the 1980 Kwangju incident" (in which more than 200 people were killed in the suppression of anti-government protests).

Under the regime of President Park, political and economic power was wielded largely by appointees from his native Kyongsang. The same is true of the government of his successor, President Chun Doo Hwan, and even the current democratically-elected government of President Roh Tae Woo. Like his predecessors, President Roh hails from Kyongsang.

Evidence of Cholla's relative economic underdevelopment is readily seen by a visit to the two areas. The small farms of the Cholla countryside and the condition of road and rail links present a sharp contrast with the industrialised regions of North and South Kyongsang.

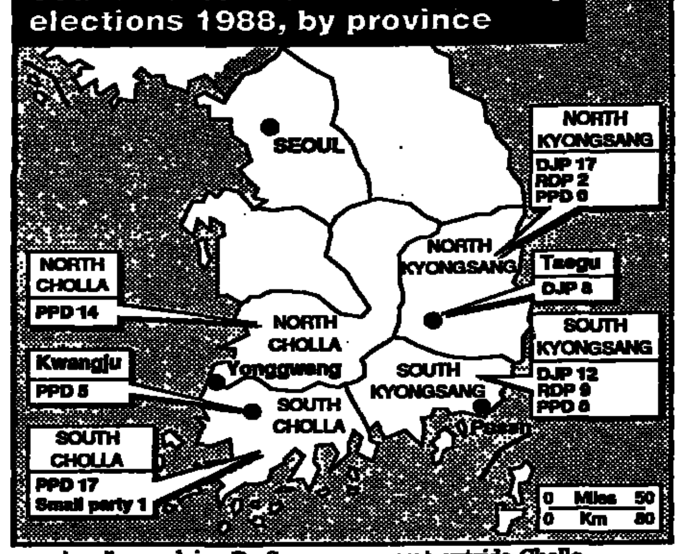
Cholla's underdevelopment is also evident in the scale of migration. Between 1960 and 1990, the population of South Cholla and Kwangju fell from 4.06m to 3.85m, while the overall population of the country increased.

President Roh's government has announced corrective measures, including a south-western highway and an industrial park. But the projects have failed to materialise.

"They were just election promises," complains Dr Song, who says that their failure to materialise has added to resentment in Cholla.

For the PPD, despite its high-minded rhetoric concerning the reduction of regionalism, the selection of a candidate from Taegu reflects a practical need to extend its support outside Cholla.

But while the pace of change in Korean politics – from the introduction of democracy in 1987 to the merger this year of three of the four political parties – continues to be rapid, the erosion of regional sentiment is likely to be much more gradual.



India's new PM to face early test on temple issue

By K.K. Sharma in New Delhi

THE Vishwa Hindu Parishad, the fundamentalist organisation that has decided to build a temple to the god Ram at Ayodhya in Uttar Pradesh at a site of an ancient mosque, has set December 6 as the new date to attempt a start to construction of the shrine.

This plunges the new Indian government headed by Mr Chandra Shekhar, the leader of a breakaway group of the Janata Dal, into a complex and explosive problem at a time of heightened communal passions.

Mr Shekhar, who has still to form his cabinet, has less than three weeks to solve a problem that was the basis for the withdrawal of support by the Hindu fundamentalist Bharatiya Janata Party (BJP) from Mr V.P. Singh's ill-fated National Front government.

The first phase of the attempt to construct the temple began on October 30 when 12 Hindu militants were killed by police when they stormed the mosque and damaged it. Fifteen more militants were killed a few days later when they made another assault on the mosque.

The events in Ayodhya led to serious Hindu-Moslem clashes in towns all over northern India in which scores of people were killed. The tension and communal strife continue and curfews have still to be lifted from many towns.

Pakistan 'blood money' strike

PAKISTAN'S public transport drivers went on strike yesterday to protest against Islamic laws which would require them to pay "blood money" to families of accident casualties, Farhan Bokhari writes from Islamabad.

The laws would require drivers to pay Rps170,000 (£4,000) for every fatality caused by their negligence. Drivers in Pakistan earn between Rps1,500 and Rps3,000 a month. Karachi, Lahore and Islamabad were worst affected by the work stoppage.

The government of the prime minister, Mr Nawaz Sharif, has opened talks with the drivers but says the solution lies in their own vehicle insurance.

AMERICAN NEWS

Chile's long road back to favour

Leslie Crawford looks at the problems facing Santiago's leaders

Chile is bitterly disappointed that diplomatic relations with the United States have not improved since the restoration of democracy in March.

The new government in Santiago believed, perhaps naively, that a battery of US trade and diplomatic sanctions against the Pinochet regime would automatically melt away with the restoration of democracy. This has not happened.

President Patricio Aylwin hoped that his trip to Washington last month would prompt the Americans to readmit Chile to the Generalised System of Preferences (GSP) – the US duty-free trade benefit programme for developing countries. Chile was expelled from the GSP four years ago for workers' rights violations.

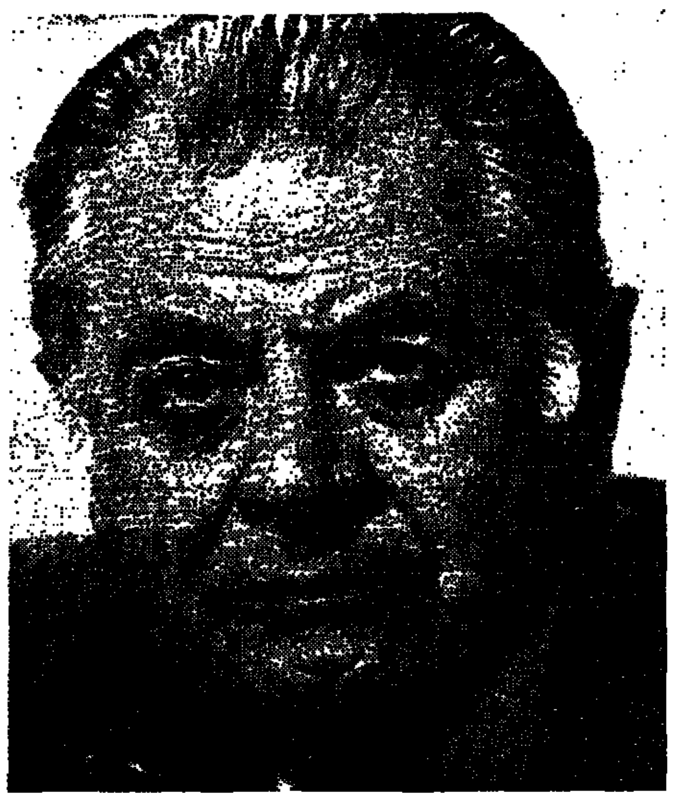
It has cost the country $200m in foregone exports. The announcement of readmittance to the GSP failed to materialise and Mr Aylwin's only consolation prize was Mr Bush's promise to study the issue before his visit to Chile 6.

Mr Bush also restored official insurance cover for US investments in Chile. But as Mr Aylwin's critics in Santiago pointed out, US investment had been pouring in anyway – *$1.5bn last year – without* the aid of the US Overseas Private Investment Corporation (Opic).

"Opic has been completely *irrelevant in affecting the* decisions of US companies to invest in Chile," says Mr Pedro Daza, a former ambassador to the UN and a leading figure in the main conservative opposition party, Renovacion Nacional.

Another burning issue is the so-called Kennedy Amendment, which bans the sale of US military equipment to Chile. US Senator Edward Kennedy sponsored the law in 1976 in protest at the assassination of Mr Orlando Letelier, a former Allende minister, and his American secretary Ronnie Moffit in Washington that year.

The killings were planned by Dina, Mr Pinochet's secret police, in the only known case of state-sponsored terrorism on US *soil. The amendment can* only be lifted once the US Congress is satisfied that the Chilean government is making "serious efforts" to bring the culprits to trial.



Patricio Aylwin, president of Chile: troubles with the US contrast with diplomatic successes elsewhere

But Mr Manuel Contreras, the former head of Dina indicted in the US as the "intellectual author" of the crime, remains free. The Chilean *Supreme Court turned down a* US request for his extradition and its decision cannot be overruled. Mr Contreras, once the second most powerful man in Chile, is untouchable because of the secrets he harbours.

The Americans are unimpressed by Chilean assertions that human rights have improved under democracy and that their hands are tied in the Letelier-Moffit case. The US judiciary wants Mr Contreras in the dock and little else is likely to satisfy Capitol Hill.

There are other bones of contention. Last year, US health officials discovered two grapes poisoned with cyanide in a cargo of Chilean fruit and banned all sales of Chilean pro*duce in March 1989.*

The prohibition, at the height of Chile's fruit exporting season, caused estimated losses of $330m. The Chilean Exporters' Association claims *that the lone grapes were* "accidentally or intentionally" contaminated at the laboratories of the US Food and Drug Administration (FDA), and say *it has research carried out at* the University of California to prove this claim. However, a recent report by the US General Accounting Office backed the FDA's decision.

Chilean exporters, wary of the costs of bringing a lawsuit against the FDA, have been pressing Mr Aylwin to demand compensation from Washington. They were bitterly disappointed when he failed to raise the issue during his 43-minute meeting with Mr Bush.

In addition, exporters are up in arms against the threat of US quotas on Chilean textiles and tougher quality controls on fruit.

Mr Hernan Buchi, a former finance minister and Mr Aylwin's rival for the presidency last December, said Mr Aylwin *should not even have bothered* to go to Washington if there was so little to gain. The Chilean right is especially critical of Mr Enrique Silva Cimma, the foreign minister, whom they accuse of being weak and unimaginative and doing a miserable job of batting for Chile.

"The Americans don't seem to realise how rapidly anti-US sentiment can be whipped up in Chile," one official warned. "If they do not give ground, it will harm them as much as us."

Chile's troubles with the US contrast dramatically with its diplomatic successes elsewhere. Mr Aylwin has worked hard to restore Chile's international prestige. He was the first Chilean president since Salvador Allende in 1972 to address a United Nations General *Assembly.* During the former regime UN delegates would abandon the hall in protest whenever General Pinochet's envoy took the rostrum.

Mr Aylwin's packed foreign schedule fascinates the fiercely-patriotic Chileans because of the diplomatic isolation they suffered during the rule of his predecessor General Augusto Pinochet.

Since he took office in March Mr Aylwin has visited virtually every other country in Latin America. General Pinochet only received a handful of invitations from fellow strongmen during his 16 years in power.

The latter was en route to the Philippines in 1980 when the then-President Ferdinand *Marcos abruptly* cancelled the visit, forcing him to turn back in mid-flight. After that humiliation he stayed at home.

Diplomatic relations have been re-established *with* Mexico – broken since the 1973 coup which brought General Pinochet to power – the Soviet Union and all East European countries. *Scandinavian* countries, which downgraded their diplomatic representation during the Pinochet era, returned ambassadors in March.

In Caracas recently, Mr Aylwin was formally invited to join the Group of Rio, a forum of democratically elected Latin American presidents which carries great prestige in the region. The whole flurry of diplomatic activity was crowned with a visit by King Juan Car*los and Queen Sofia of Spain* this week during which a $2bn loans and investment treaty was signed to promote joint ventures between Spain and Chile.

NEWS IN BRIEF

Peruvians prepare for general strike

PERUVIANS are bracing for a nationwide general strike this week by public service workers, including those who operate drinking water supply systems in major cities, AP reports from Lima.

The strike is viewed as a major challenge to President Alberto Fujimori's current program to restructure the economy and bring Peru back into the world economic community.

The Confederation of State Workers voted Saturday to begin an indefinite general strike on Thursday to press for *higher pay,* uniform pay scales throughout the public sector and other benefits.

Mr Fujimori said last week the government cannot afford to pay them more.

Water system workers said they would begin an indefinite strike tomorrow. A spokesman said *skeleton crews* would keep the water systems working while the estimated 8,000 workers will be taking the day off. Meanwhile, about 6,000 nurses are expected to join on Monday an ongoing strike in state-operated health facilities.

State hospitals are offering *only emergency* care after some 40,000 health workers and support personnel walked *off* the job on Thursday. Doctors have continued working.

Venezuela, Colombia strengthen links The presidents of Venezuela and Colombia have agreed on steps to *strengthen* co-operation between their countries, including better transport links and the promotion of trade and tourism, Reuter reports from *San Cristobal,* Venezuela.

Presidents Carlos Andres Perez of Venezuela and Cesar Gaviria of Colombia met in to review the work of bilateral committees working to promote cross-border co-operation. The committees were set *up after a row over sovereignty* over the Gulf of Venezuela, which divides the two countries, brought the neighbours to the brink of war in 1987.

Mexico aims at fixed link with dollar

By Richard Johns in Mexico City

MEXICO is to reduce the daily slippage of the peso against the US dollar from 80 centavos to an average 40 centavos as part of a cautious move towards fixed parity of the two currencies.

The effective revaluation of the peso, an anti-inflationary move also designed to induce the return of flight capital, will cut the annual rate of depreciation from 10 per cent to 5 per cent. The move towards a fixed link with the dollar also comes as Mexico and the US are in the preliminary stages of negotiating a free trade accord, possibly also embracing Canada.

The proviso "average" implies that the rate could be subject to fluctuations on a daily basis and that the government intends to retain some flexibility in the foreign exchange rate.

The government has also agreed to raise the minimum daily wage by 18 per cent from November 16. Announcement of the wages rise was made after polling booths closed in the critical elections in the State of Mexico where the ruling Institutional Revolutionary Party (PRI) was believed to face a grave threat from the opposition.

Nevertheless, the wage accord is aimed at winning votes in the mid-term congressional elections late next summer, as well as countering a cut of nearly one-third in the purchasing power of the minimum wage since the anti-inflationary stabilisation programme was initiated at the end of 1987.

The PRI claimed to have won 119 out of 121 municipalities in the State of Mexico and all 34 seats in the municipal legislature in Sunday's elections, but official results will not be announced until next Monday. Turnout is believed to have been only 30 to 40 per cent.

Among other charges of irregularities, both the centre-left Party of the Democratic Revolution (PRD) and the conservative National Action Party (PAN) have called for annulment of the poll in the district of Chimalhuacan.

Outsider claims victory in Guatemalan poll

By Tim Coone in Guatemala City

MR Jorge Serrano Elias, a moderate conservative, has claimed victory in Guatemala's presidential elections held on Sunday, and has pledged to constitute a government of national unity.

Mr Serrano had 27 per cent of the vote and a lead of 3 percentage points over Mr Jorge Carpio, his nearest rival, after just over half of the votes had been double-checked by Monday afternoon.

An outsider in the pre-electoral opinion polls, Mr Serrano made rapid gains in the closing days of his modest but well-planned campaign. His message of peace, reconciliation and economic reforms touched a chord in a country that has grown weary of political violence, corruption, and discrimination against its large Indian population.

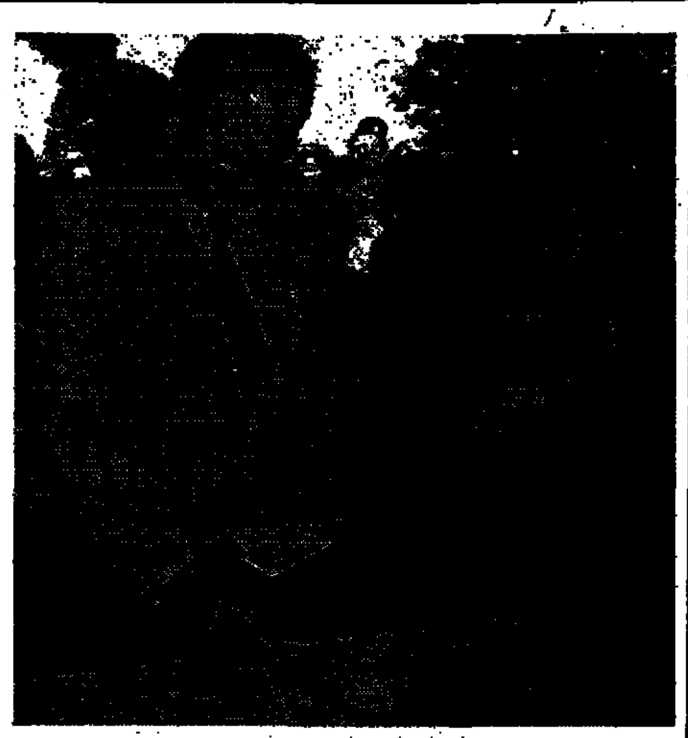
Under Guatemala's constitution, a second ballot is required between the two leading candidates, if an absolute majority is not achieved in the first round.

However, Mr Serrano, who ran with the support of his own National Solidarity Movement and several other rightist parties, is negotiating with other parties to avoid a second round. "I am going to call for the formation of a government of national unity to move this country forward," he said.

The result repudiates the Christian Democratic administration of President Vinicio Cerezo, who was barred by the constitution from running for re-election. The party's candidate, Mr Alfonso Cabrera, polled only about 7 per cent.

As head of the National Reconciliation Commission, Mr Serrano has pledged to reach a definitive peace agreement with the left-wing URNG guerrillas who have strong roots in the indigenous Indian communities. He is considered an honest and capable politician by both the right and left and has good relations with the Catholic church although he is himself a Protestant. Most crucially, the armed forces are likely to support him as he has promised an amnesty and pardon for those accused of human rights abuses.

On the economic front, he is likely to appoint technocrats rather than party ideologues, and also to emphasise welfare policies to confront Guatemala's rampant poverty and rising crime.



Jorge Serrano casts his vote after his well-planned campaign

Results for the 116-seat national congress give a roughly equal balance between five main political groups of the right and centre, including an alliance backing controversial ex-General Efrain Rios Montt. Mr Serrano's call for the formation of a national unity government would therefore be a logical outcome, if he is to govern with a Congress in which his party does not hold a majority.

An international observer group has praised Guatemala's electoral tribunal for its efficient organisation of the elections. They are likely to be remembered as the cleanest and least violent in the country's recent history.

The budget war is won, but the battles continue

Barely a week since Bush signed the 1991 US budget, the cards are on the table for 1992, writes Peter Riddell

IT IS barely a week since President George Bush signed the 1991 budget, but battle lines are already being drawn for the 1992 budget, which will be unveiled at the end of January.

This does not mean that the five-year $492bn (£254bn) deficit-cutting package is about to be unscrambled. Arguments will be within its broad framework about rival tax plans – as well as tidying up some of the complexities introduced in the system by this year's compromise.

Mr Richard Darman, the budget director, inserted enough loopholes into the more flexible Gramm-Rudman deficit reduction law to ensure that at least the outline can be preserved for the next couple of years. There will undoubtedly have to be another major deficit-cutting package well before 1995, but Mr Darman's ingeniousness should postpone any decisions on tax increases until after the 1992 presidential election.

The budget package combines tougher disciplines on core spending programmes with a series of escapes from the deficit reduction law for a deterioration in the economic outlook; higher than expected costs of the savings and loan rescue and (increasingly likely) of bank failures; and the *undoubted rise in the costs of* Operation Desert Shield, with or without a war in the Gulf.

Instead, the debate is likely to be over tax fairness and economic growth. President Bush admitted last week that the US is "in some tough times now". The administration is naturally hoping that the Federal Reserve's policy-making Open Market Committee will today decide on a further slight easing of monetary policy.

A further cut of a quarter point or so in the Fed funds rate is widely expected, not least because of worries over the health of the banking system. But any larger immediate relaxation looks unlikely because of continuing fears about rising inflation.

A related constraint is the weakness of the dollar, now at record lows, though hardly anyone in Washington ever talks about this issue or indeed appears to care much about it.

Nevertheless, whatever modest easing occurs, by the time of the late January budget it is likely that pressure will be growing for a response from Washington to evidence of economic slowdown.

The two sides have already laid out their cards. Congressman Richard Gephardt, the Democratic House majority leader, has said his party's first proposal of the new Congress will be a surtax on those earning more than $1m a year to finance tax relief for ordinary Americans. He has stressed the *"most bothersome" problem of* the "middle-class treadmill, declining wages, an economic situation moving in the wrong direction for most Americans".

Having "reluctantly" agreed to the tax-increasing budget package, Mr Bush has returned to his previous policy, promising "to hold the line on taxes". He has warned that any new taxes would be enacted "over my dead veto". The administration will certainly revive its plan for a cut in the capital gains tax to boost investment and growth.

The evidence from the elections on November 6 was mixed. Voters do not like higher taxes, but equally do not want to risk the fiscal upheaval resulting from mandatory rollbacks. In six states, they rejected ballot measures which would have limited taxes or new spending, though in Oregon voters agreed to cap property taxes levied by local governments and school districts.

But proposals to increase sales or excise taxes were also turned down, even for fighting crime and drugs. In California 12 of 14 state bond issues were defeated, so it is still far from clear that voters will even agree to increase "hypothecated" taxes levied specifically for education or road-building.

Mr Bush wants to re-unite his divided Republican Party against higher taxes and sharpen the differences with the Democrats for the long 1992 campaign. The Democrats believe they have found an electoral winner in the "tax-the-rich" and tax fairness issue. However, the resentment of ordinary Americans at being squeezed may be turned not just against the rich but also against programmes which discriminate in favour of the poor and minorities.

As political analyst Mr William Schneider has pointed out in the Los Angeles Times, two kinds of Republicans did well in the elections – "conservative, meaner, tougher" ones in the Senate and "pragmatic, pro-choice" ones from the "kinder, gentler" wing of the party in several governorships. Which side is Mr Bush on? Mr Schneider has asked: "When he campaigns, he tries to be meaner, tougher. When he governs, he trieds to be kinder, gentler. This balancing act cannot continue."

Cuba cracks down on growing corruption

CUBA'S Communist government has declared corruption "Public Enemy Number One" in an effort to stamp out profiteering, stealing and fraud, Reuter reports from Havana.

In the past few weeks, the state media have taken up the crusade against what they describe as a direct threat to Cuba's beleaguered economy and the moral values of a socialist society.

"Corruption in the economy is today the main enemy of our society. It has grown because we stopped worrying about it," the weekly news magazine Bohemia said in an editorial.

In an apparent switch of attention from the much-publicised threat of US-backed "counter-revolution", officials say the problem of corruption is "more dangerous" than the Central Intelligence Agency.

In October, police rounded up 200 suspected black marketeers in Havana alone. Since then the media have, almost daily, reported arrests and convictions of suspects accused of fraud and robbery involving goods – ranging from cars to chickens – worth tens of thousands of dollars. Prison sentences have varied from a year to 20.

"We have to stop treating this sort of thing as if it were natural. We have to create among the people a climate of moral asphyxia against this," Mr Jorge Lezcano, first secretary of the Cuban Communist party, told a weekend meeting.

Officials attribute the problem of corruption to the economic difficulties facing the island, where supplies of food, fuel, clothing and most goods have fallen drastically because of disruption to deliveries from Cuba's main economic backer, the Soviet Union.

"Let's not kid ourselves. When the state cannot provide us the lock that we need, the glass for the window, the float for the toilet mechanism, the beans, the detergent, the flannels. . .then the underground economy can provide. And many fall into the temptation, Bohemia said in its editorial.

Police are concentrating their investigation on people known in Cuban slang as *macetas* – big-time racketeers who live off the profits of their illegal operations, whether fraud, money-changing or black marketeering.

Argentina sets targets for IMF

By John Barham in Buenos Aires

ARGENTINA is to send the International Monetary Fund a new letter of intent setting out economic targets for the fourth quarter of this year, which officials expect will unlock the third of four tranches of a $1.33bn loan from the IMF.

Disbursement of the $265m tranche is currently under review at the IMF.

The new targets are a $328m monthly budget surplus and a slight increase of $126m in central bank reserves, which now exceed $2.5bn.

Mr Saul Bouer, treasury secretary, said the letter did not spell out inflation targets, but noted that the IMF would be angered by any sudden surge in the inflation rate, currently running at close to 6 per cent a month.

Argentina also hopes to begin drawing down the first of three $60m tranches in IMF loans to be set aside for use in a future debt reduction agreement to be negotiated with the commercial banks.

However, Argentina is not expected to increase interest payments to commercial banks, which have been paid a token $40m a month since August.

Meanwhile, government officials have begun a public relations exercise to prepare for a heavy reduction in government employment.

Officials have made public, through judicious press leaks and interviews, a plan to cut public jobs by 30 per cent over coming years with $700m in loans from the World Bank and Inter-American Development Bank.

UK NEWS

Thatcher denies isolation in Europe

By Philip Stephens, Political Editor

MRS Margaret Thatcher yesterday reaffirmed her opposition to the Delors prescription for a single European currency and central bank but couched her objections in the emollient language of the Foreign Office.

In her annual speech to the Lord Mayor's Banquet in the heart of the City of London, the prime minister sought to dismiss headlines suggesting that she was isolated in Europe as rhetoric rather than reality.

She argued also that fears that Britain's financial institutions might be damaged if Britain did not agree to a single currency were ill-founded.

However Europe developed, the qualities of risk-taking, innovation and integrity which had given the City its pre-eminent position would ensure that it remained at the centre of the world's financial markets.

Like Switzerland, Luxembourg and Hong Kong, London's business far exceeded the importance of its own national currency. She added: "Indeed while sterling's role as a reserve currency declined, London's strength as a financial centre grew."

Mrs Thatcher said the reality of closer ties with the Continent as distinct from the rhetoric suggesting isolation had been symbolised by the breakthrough of the British and French tunnellers below the Channel.

She then added: "As I have many times said, so much of history has been in Europe. And our destiny lies in Europe."

Mrs Thatcher, whose abrasive rejection of plans for economic and monetary union prompted the resignation of Sir Geoffrey Howe and the current crisis of confidence in the government, toned down markedly her assessment of Britain's differences with its European partners.

"We believe that institutions are stronger when they grow and evolve."

The wide disparities in the economic performance of the 12 Community countries made it much more sensible to follow the evolutionary approach suggested in Britain's plan for the development of a "hard Ecu".

Mrs Thatcher also emphasised her view that the EC should avoid becoming an "exclusive and inward-looking club".

Heseltine gives Tory MPs the jitters

Ralph Atkins on the challenge to Mrs Thatcher's long premiership

WINSTON'S Churchill's statue looked on nonchalantly as the Tory MP, standing in the Commons' members lobby, reflected on the plight of his party: "I have never seen such a mess," he said. "This is the trouble with great leaders. They don't know when to go."

If the phoney election campaign has not yet reached fever pitch, the mixture of anxiety and excitement that rises among Tory as Mrs Thatcher's popularity falls, jumped to another high yesterday.

"They're running around like headless chickens," the *normally-loyal backbench MP* said of his colleagues. "You have got to laugh."

Along the carpeted corridors and stone-lined lobbies of Westminster, Mr Michael Heseltine's threat to the Prime Minister has split the Tory party. The division is not just in terms of a pro-Heseltine or a pro-Thatcher camp; many Conservatives are divided in their own minds.

The upright backbencher, defending a safe seat, was typical. "There will be a lot of damage if there is a contested election," he said without hesitation. Would he vote for the Prime Minister if the contest went as far as a second ballot with a field of other candidates? "Ah, that's a different matter. I know how unpopular she is. . . It is a matter of tactical judgment."

Clearly, however, the expectation of a contest was growing. And it would be between the big guns. The time of stalking horses is over, many MPs agreed, unless Sir Geoffrey Howe stood as a kind of "super-stalking horse."

One said: "Heseltine has boxed himself in. If he doesn't stand now he will be seen as far too cunning, calculating and Machiavellian," said one.

A Tory "wet" said wistfully, "there is a mood for a change." Another added more excitedly: "There is going to be a contest and the corridors are going to be knee-deep in blood."

Others have been testing their mental arithmetic. "I think he will get around 100 votes," said one MP whose previous incarnation was as a businessman.

"I may be wrong. There are a *lot of people here who say one* thing and do another. There are a lot of forked tongues."

Yet in the frenzied atmosphere, it is hard to tell fact from rumour or day-dreaming.

At least one MP was anxiously assuring the whips office that newspaper speculation that he might run as a "stalking horse" was unfounded. But names are still being banded around in the tea-rooms.

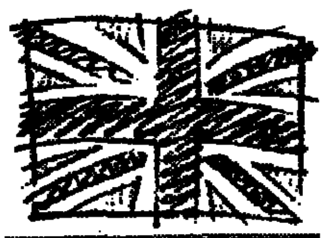
One indicator is the number of backbenchers, prepared to go public with their dissent. On BBC Radio, Sir Peter Tapsell, MP for Lindsey East joined a trail of others saying the time had come for a contest. "I think there is now an irreversible momentum for change."

Behind-the-scenes there are many who wonder what their position would be if a leadership election were called.

Amid the turmoil, there is no sign yet of a concerted counter-attack by Mrs Thatcher's closest supporters.

It is not clear what her best strategy would be. Unabated hard-line Thatcherism is no longer selling well. A softer tone or appeal for unity could be better. "It's the time of the soggy men," said one rather ashamed-looking right-winger.

BRITAIN IN BRIEF



Japanese alliance for Scots group

Rodime, Scotland-based disc drive computer maker, has formed an alliance with Victor Company of Japan (JVC) for *the production and marketing* of high performance 3.5 inch disc drives.

The two companies are to launch a range of hard disc drives aimed at the high *performance* laptop and entry-level personal computer market. They are being developed jointly by Rodime and JVC, and will be manufactured by JVC in Japan. JVC will market the *products in Japan and* Rodime will offer them in the rest of the world.

The alliance will mark an important expansion of Rodime's product range and should make "a fairly significant increase in Rodime's revenues," according to Mr David Greenberg, vice-president and director of strategic programmes at Rodime, with the effect *felt* mainly in the 1991/92 financial year.

VAT verdict postponed

A Belfast tribunal reserved judgment in a test case which has important implications for the VAT liabilities of UK charities.

The Northern Ireland Council for Voluntary Action is seeking to recoup the VAT of almost £3,500 which was paid from the proceeds of a visit to the province lasting a week by actor Kenneth Branagh's Renaissance Theatre Company.

The case hinges on whether the visit over several days can be classed as a one-off event and is the first test of the VAT Fund Raising Events and Charities Order, 1989.

Patten warns on spending

Mr Chris Patten, environment secretary, warned local authorities that they would not be able to "fudge" their responsibilities for the level of spending in future, as had happened this year in arguments over levels set for the new local community charge, or poll tax.

Chris Patten: told councils to behave responsibly

He claimed that the revised form of the community charge bills to be sent to all charge-payers in England and Wales next April would make it quite clear where the credit or blame for local spending levels should lie.

Mr Patten's speech to a meeting of the Association of County Councils was partly a defence of the government's formula for local authority spending in 1991-92 announced last week, and partly a warning to councils to behave responsibly or face the political blame for overspending.

Retail sales fall away sharply

Retail sales volumes fell sharply in October as the UK recession bit deep into high street spending, according to government figures.

Sales fell by a provisional 1.1 per cent last month and were barely higher than the same period a year ago, the Central Statistical Office said.

This fall – much steeper than the City had expected – brought pleas from the Retail Consortium, which represents 90 per cent of the retail industry, for interest rate cuts.

Far from reviving consumer spending, the one percentage point cut at the beginning of October had failed to halt a deterioration in the sales performance of all market *sectors* last month, it said.

UK chiefs 'get best pay rises'

UK directors received the highest pay rises in Europe in the year to the end of July, according to a pay consultancy report.

Base pay for directors in Britain rose 12.1 per cent compared with 11.8 per cent in Italy and 11.1 per cent in Spain. Directors in France and Germany saw their base pay rise 7.9 per cent and 6.3 per cent respectively.

The Monks Partnership consultancy noted, however, that after adjusting for inflation, UK directors' pay rose by 4.1 per cent, not far above the median real pay rise of 3.7 per cent in Europe.

Truck and van sales fall 22%

Sales of new commercial vehicles fell by 22.4 per cent in October to 20,322, according to the Society of Motor Manufacturers and Traders.

The society said that in the first 10 months of the year new commercial vehicle sales at 260,392 were 20.2 per cent lower than in the first 10 months of 1989.

The truck industry has been hardest hit by the fall in commercial vehicle sales, and truck sales above 3.5 tonnes gross vehicle weight have fallen to their lowest level in almost 10 years.

Employers may be prosecuted

Employers who fail to protect their staff against violence from the public could face prosecution as part of a clamp-down by health and safety inspectors.

The Health and Safety Executive is to step up enforcement of the law in relation to violence at work, particularly in those sectors regarded as high-risk, a conference on violence in the hotel and catering industry was told.

Restaurant workers, publicans and hotel managers are three times more likely to be assaulted or threatened than the average worker, according to Home Office figures. Other staff particularly at risk are those who constantly handle money.

Car firms link to local council

Toyota and Rolls-Royce are among 35 companies around Derby, central England, which have joined with the local council to devise a strategy for the future growth of the city.

The public-private sector link has been formed nearly two years after Toyota picked the site of an old airport just outside Derby as the location for its first European car assembly plant.

ICL head says criticism 'racist'

Double standards and racism were behind European criticism of Fujitsu's plan to take a majority stake in ICL, according to Mr Peter Bonfield, ICL chairman.

Mr Bonfield, speaking in Brussels, was making one of his first speeches since the deal with Fujitsu of Japan announced.

Peter Bonfield: rejects criticism of Fujitsu's plan

He said it would be foolish if racism was allowed to influence an objective appraisal of the development of a business and also argued that tariff barriers and local content rules had failed to protect European companies against efficient foreign competitors.

Scottish opera chief for US

Mr John Mauceri, music director of Scottish Opera, was named as chief conductor of the Hollywood Bowl Orchestra.

LOCKERBIE INQUIRY

Police say bomb put on Flight 103 at Frankfurt

BRITISH POLICE yesterday confirmed for the first time that the bomb which destroyed a Pan Am Boeing 747 over Lockerbie, Scotland, travelled in a suitcase that joined the flight at Frankfurt.

The disclosure is the first *official statement on where* investigators believe the bomb, contained in a radio cassette recorder, was loaded on to Pan Am Flight 103, which crashed killing 270 people.

Speaking at the fatal accident inquiry in Dumfries, Scotland, Detective Constable Derek Henderson said the Samsonite suitcase containing the bomb was an unaccompanied piece of baggage put aboard the Boeing 727 that formed the Frankfurt-London leg of Flight 103 on December 22 1988.

It was put on board the Boeing 747 at London's Heathrow Airport for the London-New York stage.

Mr Henderson said the unaccompanied case was discovered by investigators matching all the bags in the container where the bomb went off to passengers on the aircraft.

Of a "possible" total of 65 bags in that container, 38 originated from Frankfurt, of which 33 were recovered and identified. The item 66 on the list was a bronze Samsonite suitcase which inquiries among relatives failed to match to any passenger.

"*The conclusion I would* draw is that the suitcase containing the IED [improvised explosive device] came from the feeder flight 103A from Frankfurt," he said.

Mr Henderson also commented on allegations surrounding Mr Khaled Jaafar, a Lebanese-American passenger, who according to recent US TV reports may have been duped by terrorists into unwittingly carrying the bomb in his luggage. There did not, however, appear to have been substitution involving Mr Jaafar's baggage before the flight took off, the police officer said.

Mr Henderson also said the bags of Mr Charles McKee and Mr Matthew Gannon, US passengers who may have been CIA agents according to earlier evidence heard by the inquiry, were unlikely to have been switched.

The lessons learned from the Piper Alpha disaster

Steven Butler looks at Lord Cullen's findings and examines his recommendations for the oil industry

LORD CULLEN, who led and wrote the report of the Piper Alpha disaster inquiry published yesterday, has sharp and pointed criticism of Occidental Petroleum and the Department of Energy. *Yet his recommendations and* conclusion are likely to be broadly welcomed by the oil industry, unions and the opposition Labour Party.

The report covers three principal areas: the course of events that constituted the disaster, which were known in advance of the report, the background causes, and recommendations for the future.

Background causes: Lord Cullen's report is an indictment of both the Department of Energy and Occidental Petroleum, operator of the platform. The ignorance of Piper Alpha's control room of repair work under progress was a failure of the permit to work system designed to prevent this.

Lord Cullen concluded that Occidental did not provide adequate training to make the system work properly, that monitoring of the system was inadequate, and that communication was poor. Action following a 1987 fatality involving a failure of the work permit system had no lasting effect on practice.

"Evidence as to training for emergencies showed that the induction was cursory and, in reward to demonstrating lifeboats and life rafts, not consistently given.

North Sea wreckage: the hulk of Piper Alpha after the explosion which left 167 dead

The report continues: "Occidental management should have been more aware of the need for a high standard of incident prevention and fire-fighting. They were too easily satisfied that the permit to work system was being operated correctly, relying on the absence of any feedback of problems as indicating that all was well.

"They failed to provide the training required to ensure that an effective permit to work system was operated in practice."

Lord Cullen said an inspection of the platform by the Department of Energy one month before the disaster "was superficial to the point of being of little use as a test of safety on the platform. It did not reveal any one of a number of clear-cut and readily ascertainable deficiencies."

He concluded that the type of inspection practised by the Department was not an effective way of assessing or monitoring the management of safety, which may be capable of preventing incidents.

Lord Cullen continued: "The approach of the Department of Energy seemed to me to tend toward over-conservatism, insularity and a lack of ability to look at the regime and themselves in a critical way. From this certain practical results have followed; the introduction of improvements in safety has been hampered; and the development of legislation on the basis of HSWA (Health and Safety at Work Act) has been kept back."

Lord Cullen highlighted the difficulties which the Department has had in recruiting and retaining adequate number of safety inspectors.

Recommendations: Lord Cullen recommended that responsibility for enforcing safety be transferred from the Depart*ment of Energy* to the Health and Safety Executive, which he believes would have fewer difficulties recruiting staff and whose current practices are more consistent with the type of changes which he recommends.

The most important of Lord Cullen's recommendations is that all installations offshore would have to adopt a formal safety assessment (FSA) system, which "involved the identification and *assesment of* hazards over the whole life cycle of a project...The techniques used include hazard and operability studies; quantitative risk assessment; fault free analysis; human factors analyses; and safety audits.

"The need for FSA arise because of the combination of potential hardware and human failures are so numerous that a major accident hardly ever repeats itself. A strategy for risk management must therefore address the entire spectrum of possibilities."

The proposal represents a sharp break with current practice which is primarily prescriptive: specifying standards for compliance rather than looking at the entire intgrated operation.

Lord Cullen rejectd the recommendation of the UK Offshore Operators Assocation that the industry be reglated only by means of formalssesments, and recommende that there also be a body of rgulations that sets goals rther than prescribe solutions.

Other recommendatons, which number 106 in ttal, include: regular safety auits and fire risk assessments A single regulatory body shold cover all aspects of offshre safety. The workforce is o more closely involved n safety, although there is no mention of any possible trade union involvement.

Lord Cullen calls for better protection for accommodation areas, areas for temporary safe refuge, and protection for the control room. Emergency centres and systems needed to be developed within the control room, which itself should be within the area for temporary safe refuge.

The work permit system should be harmonised throughout the industry. Operators should be required to submit evacuation, escape and resecure analysis to the regulatory body. Individuals on board platform should be equipped with a survival suit, a life jacket, a smoke hood, a torch, and fireproof gloves.

Eastern Europe faces decline in energy supplies

By Juliet Sychrava

FT CONFERENCE WORLD ELECTRICITY

EASTERN EUROPE faces sharply declining energy supplies, Dr Vladimir Voloshin, a Soviet energy expert, told the Financial Times World Electricity Conference in London yesterday.

Production will drop from 485m tonnes of coal equivalent today to 420-450m tonnes by the year 2,000, mainly because of falling coal production in Poland and east Germany.

Soviet exports of power to eastern Europe will also fall. Total crude exports from the Soviet Union have already dropped to 125m tonnes from 144m tonnes since 1988 and could reach 80m tonnes next year.

Nuclear capacity in eastern Europe will also grow more slowly than expected due to safety concerns.

This power shortage means eastern Europe faces the difficult task of achieving economic growth while cutting energy consumption, Dr Voloshin said. This would be impossible without the introduction of market forces and, in particular, of free market energy prices.

This would force the Comecon countries to seek hard currency earnings, rather than relying on subsidised inter-Comecon trade. Eastern Europe, Voloshin concluded, was paying the price for sheltering itself from world energy markets in the past.

"As Margaret Thatcher likes to say," he finished, "cheese is free only in a mousetrap."

The developing world also needs more power, said Mr *Percy Barnevik, president and* chief executive officer of Asea Brown Boveri, the Swedish-Swiss engineering group.

Over the next two decades, *developing countries* will spend \$2,000bn on another 1,000 gigawatts of capacity. While OECD capacity growth will be only 2.5 per cent per annum for the rest of the decade, capacity in the developing world will grow by 6.2 per cent.

Barnevik: growth challenge

Funding this growth will be a *challenge*, but the world has abundant fuel reserves to satisfy the next generation of power plants, he believes. Energy efficiency, and new technology will ensure that "the threatening scarcity will simply not materialise".

The US will also need more power: another 96 *gigawatts of* electricity by 1999, said Mr Newton Campbell, chief executive officer of Burns & McDonnell Engineering of the US.

New capacity will be designed to meet peak demand, which will mean more simple gas-fired plants, which are cheaper and easer to introduce.

This will mean more natural gas consumption, and new natural gas pipelines. *Nuclear capacity will not be an option* for US utilities in he foreseeable future, said Mr Campbell.

Rising energy demand was the theme of Mr Yii-Huai *Chang of the Taiwan Power* Company, Taiwan's electrical utility. Taiwan coul face a power shortage in the next few years if it does not boost capacity, he said.

Plans for anothe 20,000 megawatts of capacit by the year 2001 will mean a steep increase in Taiwar's coal imports. Coal consumtion as a percentage of total energy consumption will rise rom 29 per cent in 1989 to at east 40 per cent and possibly 50 per cent by the year 2000.

The evolution of th European electricity industry was the main theme of the emaining *speakers*.

The European Community's attitude to electricity nd the environment leaves muh to be desired, according to D Leigh Hancher, an expert in energy law from the Netherlanls.

The EC directivs covering electricity do not deal adequately with envronmental subsidies or taxes. Similarly, the EC fails to tackl the questions of how securit of supply might fit in the fraework of European competitio, how to integrate national lectricity networks, or deal wit national monopolies.

The disadvantages of introducing competition in he European electricity maket were discussed by Mr Pitre Lederer, of Electricité de rance.

Deregulation, he aid, creates two markets one for major consumers ale to buy direct from indepedent producers, and one fr captive domestic consumers This system, he *said*, was known in the US as "half-slave, haf-free". It threatens efficiency nd integrated planning in th electricity industry, forcing roducers to bear risks, he said.

Both *Mr Alessandro Ortis*, deputy chairman of EIEL, the Italian electricity board, and Dr Felix Bruppacher, power economist at Electrité de Laufenbourg of Switzerland recommended increased co-operation betwen European electricity systems

The EC could learn from Spain, where a hihly centralised and regulate electricity industry is neveneless competitive, said Mr Jose Maria Paz, executive irector of operations at Red Electrica de Espana. Althougt costs and revenues are all aministered centrally and then llocated to individual power stions, companies that operate elow standard costs keep thei profits.

This could be the only way that an industry which essentially lends itself to entralisation can introduce co.petition.

Business relationships

Why 'hands-off' is too far away

Charles Batchelor on a report critical of banks' dealings with smaller customers

After a decade of intense promotion of their services to small business, Britain's banks are facing their first serious economic downturn. Have bank managers really become the friend of small business that their glossy advertising campaigns suggest? Or do they still correspond to the popular stereotype – pulling the plug on their customers at the first sign that they are in trouble?

The sharp increase in the rate of business failures suggests that bank managers increasingly are calling a halt when customers get into trouble. Since most businesses are small inevitably it is the small firms sector which has been hardest hit.

Small-business owners confirm that bankers are tightening up on overdraft or loan limits while bank managers themselves say they are devoting far more time to problem loans in their portfolios.

Little has changed in the way the banks deal with their small business clients, according to a study* published last week by the Forum of Private Business, a small firms lobby group.

Banks in Britain still attach too much weight to a company's past performance – as measured by the value of its assets – when lending and do not take sufficient account of its prospects which will determine its ability to repay any loans, the survey claims.

"The extent to which firms can gain access to external loan finance is determined by historical factors leading to their current asset position at the time of requiring a loan," concludes Martin Binks, of Nottingham University's economics department, author of the Forum's study.

The Forum's study contrasts the "hands-off" approach to their business customers taken by the British banks with the far closer relations established between banks and their customers in many continental European countries.

Continental banks make greater efforts to get to know their business customers and are often more willing to provide equity, it says. This relationship does, however, require that businesspeople provide their bank manager with more information.

The "hands-off" approach adopted by British bankers means that bankers will be more stringent in their criteria when evaluating loans, the Forum study says. They will tend to carry out damage limitation – by reducing overdraft or loan limits or calling in the receiver – in the case of small firms facing short-term difficulties even when their medium- and long-term prospects are very strong.

At a time of economic downturn this will mean more businesses go bust than is really justified, though Binks concedes that it is difficult to gauge the numbers involved.

An additional disadvantage of basing lending levels on the amount of security that the small-business owner can provide is that the methods of calculating security are very cautious. Assets tend to be valued at their minimum realistic resale price – their "carcass" valuation – reducing the sums that businesses can borrow against them.

Since small firms are more likely than large to lack a close relationship with their bank manager they will be disproportionately affected by this asset-based approach to lending. Binks identifies four sorts of business most likely to be disadvantaged by this approach:

- Firms with novel ideas which respond dynamically to changing market conditions. Bank managers take a more cautious view of such businesses compared with those in more traditional, unchanging areas of business.
- Younger, rapidly growing companies which need finance out of proportion to their existing asset base.
- Firms which are in decline and which require finance to up-grade plant and equipment or to move into different markets.
- Manufacturing companies which tend to need larger amounts of capital than service or distribution businesses.

"The decline of the UK small business manufacturing sector may be difficult to reverse in the context of existing bank practice," the study warns.

Not surprisingly, bankers reject the Forum's assessment of their shortcomings and say that their current methods of judging risk are not unduly backward-looking.

"The guy who has a record of doing things well has to be a better bet than someone with a record of doing badly or with no record at all," says Andy Hunter, a senior manager in the small business division of National Westminster Bank. "The business plan may look OK but has the man got the dedication to put it into practice?"

British banks have £40bn in loans outstanding to smaller companies, Hunter points out. This is hardly a sign that they are being over-cautious in their lending policies, he adds.

Stuart White, head of Midland Bank's enterprise unit, believes the Forum study confuses two aspects of the decision-making process. "Bankers are looking to the future when they look at the business plan to decide the credit to be granted. But when they are assessing the risk they turn to the past and the accumulated capital of the company. Future prospects are the primary guarantee that the loan will be repaid. The security required is a secondary guarantee."

The Forum is not entirely negative in its report on the banks. Some changes have been made over the past two years to meet small-business owners' concerns, it says. Some banks have introduced itemised bank accounts; will provide equity as well as loan finance; and have introduced bank charge holidays for new business customers.

But customers have also changed, Binks notes. Twice as many as two years ago are prepared to consider changing their bank if they are not satisfied.

The Forum suggests a package of measures aimed at improving bank/small business relations to allow bankers to become more forward-looking in their lending policies. It proposes that banks invoice their customers before deducting account charges and that they introduce a simple form, to be sent out with bank statements, on which small business customers fill in details of their cash position. Customers who provided regular financial information in this way would escape the need to provide collateral for their borrowings.

The banks have said they will consider some of the Forum's suggestions but the Royal Bank of Scotland, for one, has labelled the Forum "presumptuous" in trying to teach banks how to assess risk. One test of the Forum's arguments would come if continental banks attempted to import their ways of doing business into the UK and were successful in winning customers.

Businesses and their Banks. From the Forum of Private Business, Drury Lane, Knutsford, Cheshire WA16 6HA. Tel 0565 634467. 88 pages. £300.

Costs still a mystery

THE ENTHUSIASM of the banks for the small business sector is not difficult to understand. Competition for large corporate customers and for personal customers is ferocious and margins have been squeezed. Therefore, one of the few growth areas open to them has been the small business customer.

Yet given the importance of small business customers many bankers are surprisingly ignorant of just how profitable this section of their clientele is.

Many will admit that their systems for measuring the profitability of the different parts of their business are still underdeveloped. It is not too difficult to see where profits are being made but it is far more complex to allocate costs.

On the plus side for the bankers is the fact that small businesses tend to pay higher rates of interest than larger firms and to earn less on their surplus cash. This is because they are less sophisticated negotiators and the sums involved are smaller.

On the other hand, small firms are less willing to pay for advice and the cost to the banks of evaluating requests for small loans are very similar to those for assessing large ones.

The risk of failure is higher among smaller younger companies but, according to a new study* of banks and small business the incidence of failure and of loan write-offs is not as high as is generally supposed.

The high failure rates often quoted for small firms include businesses which cease trading without loss to their secured creditors.

The large numbers of small companies means that the bankers' risk is even more widely spread than his investments in large companies where an unfortunate choice of loans can make a big dent in a bank's portfolio.

In addition, only half of the small business community is borrowed from its bank at any one time. The rest have surplus cash and are benefiting, like their bankers, from present high interest rates.

** Business Banking in the 1990s by Graham Bannock and Alan Doran. Lafferty Publications, Dublin. Tel (353-1) 718022. 136 pages. £295.*

Lobbying for a tapered capital gains tax

By Charles Batchelor

Persuading managers in large companies to break out and set up their own business has become far more difficult as a result of changes in the tax rules over the past few years, according to the British Venture Capital Association.

The most damaging move was the decision in 1988 to raise capital gains tax to 40 per cent to bring it into line with the top rate of income tax.

This drastically altered the balance of financial advantage to a manager between a safe career and a risky, but potentially wealth-generating, role in a smaller company.

The entrepreneur would have to create a business worth more than four times its 1979 equivalent to get the same reward, the association calculates.

After lobbying the government for the past two years to extend to entrepreneurs tax breaks similar to those enjoyed by passive Business Expansion Scheme investors, the association has modified the proposal it is putting to the Treasury in advance of next year's budget.

It now wants the government to introduce a form of tapering relief from capital gains tax with the tax liability reducing the longer the investment is held.

For the first three years of his investment in his company, the entrepreneur would face full capital gains tax liability but in year four his liability would decline to 80 per cent of the full rate. It would continue to fall by 20 per cent a year until after year seven when no tax would be payable.

The advantage to the government of this plan would be that it would not result in the Inland Revenue losing any tax for at least four years. Entrepreneurs persuaded to set up on their own would start generating wealth and tax revenues which would more than outweigh any loss of tax after year four, the association says.

Unless more effort is made to encourage the flow of quality management into the smaller company sector the UK economy will be the loser, it claims.

Countries such as France, Germany, Italy and the Netherlands levy no capital gains tax on the sale of holdings of less than 25 per cent of the equity of private companies.

With good management becoming increasingly international there would be no reason for managers to set up in the UK and pay 40 per cent capital gains tax, the association argues.

Greater powers urged for chasing bad debts

By Charles Batchelor

A call to simplify the legal procedures for recovering unpaid debts has been launched by the National Federation of Self-Employed and Small Businesses.

The federation's proposals are the latest in a long line of attempts by small business lobbyists and the credit assessment industry to reduce the amounts – estimated by the federation at £60bn – owed to small businesses.

The adversarial nature of English law allows debtors who abuse the system to spin out delays over months or even years, putting the creditor into financial difficulty or making court judgments worthless, says the federation, which has 50,000 members.

It urges:

- The creation of a national debt enforcement department under the Lord Chancellor's office to bring under one roof the separate enforcement procedures of the High and County Courts.

The department should establish a computer database of all outstanding court judgments and orders.

- The enforcement department should have the power to order either party to a bad-debt claim to provide security for the judgment and costs when it appeared to the department that either the claim or the defence was so weak it would probably not succeed.

Courts already have the power to order payment of security in actions involving amounts higher than the Small Claims Court limit of £500 but this power should be extended below this limit. This would prevent debtors using the court process as a form of "extended credit".

- Increase the upper limit for the cheaper and administratively simpler small claims procedure to, say, £2,000.
- Make it the responsibility of the courts to chase unpaid debts once the creditor has won his action by means of an automatic enforcement hearing.

At present creditors have to return to court to enforce payment even when they have a judgment in their favour.

- Allow suppliers to retain the right to recover goods supplied until they have been fully paid for. At present the first claim on any goods which have been delivered is with preferential creditors such as the banks and the Inland Revenue.

None of these suggestions would remove from the supplier the need to assess the creditworthiness of his customers, the federation says. But they would make it easier and cheaper for small suppliers to take non-payers to court.

Unless action is taken the present economic downturn will create further temptation for customers to delay paying their suppliers and the position of small firms will continue to deteriorate.

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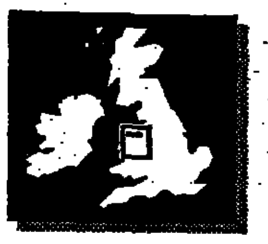
FINANCIAL TIMES SURVEY

CLWYD

Tuesday November 13 1990

■ Why Toyota chose Deeside for its UK engine plant Page 4



With the prospect of recession, it seems "the shine has gone off the economy" of north-east Wales. Yet the area has attracted substantial new investors and is now better able to withstand international pressures, writes **Anthony Moreton**, Welsh Correspondent

Once more into the breach ...

Deeside industrial park: a magnet for inward investment

CLWYD in Wales has been hit by more than its share of cold economic winds in the past decade. Just as the county appears to have repaired the damage, back they come to prove how fickle success is.

Earlier this year, United Engineering Steels announced the closure of its Brymbo steelworks, sitting on the hillside overlooking Wrexham. The last steel tap was carried out at the end of September and by the new year most of the 1,125 employees will have gone.

To make matters worse, a day after steelmaking ended at Brymbo, the ailing Laura Ashley textiles-to-clothes group closed its plant at Leeswood near Mold with the loss of 300 jobs. With other redundancies, such as those at Owens Cornings and several small companies, the county will probably see about 2,000 jobs disappear in the second half of this year.

This is relatively few compared with the loss a decade ago of some 20,000 jobs in two years as the major industries – coal, steel and textiles – were annihilated. Eight thousand men lost their jobs overnight when British Steel ended steelmaking at Shotton, leaving only finishing work undertaken in the area. A blow such as that puts the present closure at Brymbo in perspective.

Yet Clwyd successfully set about rebuilding its fractured economy so that before the 1980s were out it had recouped the lost ground and this corner of north-east Wales had become one of the most prosperous parts of Britain, singled out by the Henley Centre for Forecasting as likely to be one of the British boom areas of the 1990s.

The recovery was strongly helped by a flow of inward investment which brought such companies as Toyota, CP Pharmaceuticals, Sharp, Shotton Paper and Brother to join longer-established concerns British Aerospace, Pilkington, British Steel, Iceland Frozen Foods, Kimberly-Clark and Hotpoint. These companies not only sustained the manufacturing sector but helped bring down the jobless rate to under the British average. Touching 20 per cent in the early 1980s, unemployment fell to around 6 per cent earlier this year.

The willingness of many newcomers, such as Kimberly-Clark, Pilkington, Continental Can and Shotton Paper, a subsidiary of a Finnish company, to undertake second-phase investment was particularly important in boosting the economy over the 1980s.

Now, however, recession has returned. Closures at Brymbo and Laura Ashley may be the most eye-catching but they are spread all round the county. Mr Graham Watson, Welsh Development Agency regional manager for north-east Wales, admits that several small companies have not renewed leases on their premises or have quietly closed their doors at the end of a week.

Mr Paul Roberts, Clwyd's deputy director of economic development, concedes that "the shine has gone off the economy. There is little despondency about but it is clear unemployment bottomed in July and is now starting to worry us again."

Mr Bob Dutton, chief executive of Wrexham Maelor Council, has also noticed the changed climate: "There has been a definite fall in the number of new investment inquiries," he says, "especially those from big companies. Their number seems to have fallen quite dramatically since the middle of summer."

These reports need to be seen in the context of what has happened in Clwyd over the past decade. The 20,000 jobs that went in the recession between 1980 and 1982 were made good within five or six years. An economy has been created which is modern and efficient and more widely-based. It is now better able to withstand international economic pressures.

The stronger economy has been built on a programme devoted to clearing derelict sites and bringing new advance factories in their place. Pugnacious marketing has also helped. Last month, Mr Dutton and Mr Warren Coleman, leader of Wrexham Council, spent 14 days in India and Japan "selling" the borough's attractions.

India, which has problems enough of its own, may seem an unlikely country in which to seek inward investment but Mr Dutton says: "It is surprising how much Indian investment there is in Europe and if any more is coming we want a share of it." Japan was an obvious target for the two men, given that Wales has captured the major share of Japanese companies coming to Britain and Clwyd numbers some of the leaders among them.

Clwyd County Council is also promoting the area actively. Last month it launched an initiative in Ireland on the back of the new A55 expressway which links Holyhead, one of the main UK ports of entry for Irish trade, with the English motorway system.

Further help from the government has also been given to offset the Brymbo closure. It has authorised the Welsh Development Agency to spend another £5.5m on advance factory building in Wrexham.

Upgrading the A55, now approaching completion, will help the economy of the whole of north Wales. It puts almost all of Clwyd no more than a hour's drive from Manchester and its international airport, the leading gateway airport for Britain outside the London area. The road will also assist the development of the tourist industry, not just for the county, which has some of Britain's leading holiday resorts, but by spreading some of the wealth tourism generates further west into neighbouring Gwynedd.

Most important in overcoming the problems of the 1979-82 recession, though, has been the programme of factory building which has led to the creation of large modern industrial sites at Deeside, Shotton, Wrexham and Greenfield. Those are now being complemented by business parks in St Asaph, Ewloe, Wrexham and Greenfield.

As the county got on top of the recession of the early 1980s it switched its strategy, according to Mr Roberts, to "identifying sectors which would bring the greatest economic benefits". The chosen four were automotive components, electro optics, medical-pharmaceutical and office services such as data processing.

Success has been achieved in the first three; a lot remains to be done to upgrade the last. In the motors field, the most obvious name has been Toyota, whose £140m engine components plant on Deeside should begin turning out the first of 100,000 engines for the company's associated motor-assembly plant at Burnaston, Derbyshire, early in 1992.

In electro-optics, Pilkington, with its plant at St Asaph, dominates the scene and several medical-pharmaceutical companies have based themselves on the Archimedes park at Wrexham to take advantage of its proximity to the town's hospital and nearby colleges of further education.

Less success has been achieved in attracting office services or companies in the financial services sector and this is an area where more promotional work has to be done. It had been hoped to develop a business centre in Colwyn Bay which has a small network of office jobs based on the north Wales outpost of the Welsh Office, a police headquarters and some banks.

Little has come of this, though an Inland Revenue dispersal from the London area to Wrexham will bring around 200 jobs: "We have not won our fair share of firms in the financial services sector, despite being a most suitable centre, with low rents and a good workforce," Wrexham's Mr Bob Dutton concedes.

He denies that living in the lee of Chester, just a few miles to the east and a great magnet for companies in this sector, is a disadvantage – but industry itself believes otherwise.

The need to put more muscle into attracting office jobs to Clwyd is accepted widely. The county has a higher-than-average share of manufacturing and needs incomers like the Inland Revenue, in the words of Clwyd's Mr Paul Roberts, "to bring a more acceptable balance to our economy."

Part of that balance is the need to improve wages in the economy. Wage levels for men are 90 per cent of the UK average according to a recent survey carried out by an independent group of consultants for the county. Wages for women average 85 per cent. The shift in emphasis from building industrial parks to business parks will improve wage levels but Clwyd's economy is depressed by a high preponderance of people working in the hotel and leisure industries, where employment is weighted to low-paying part-time work, and in agriculture or agricultural-related activities in this essentially rural county.

Many UK regions would love to have a third of their workforce employed in manufacturing and it is a measure of Clwyd's success that this is a "problem". If a better balance can be achieved, though, there is little doubt the county will confirm the Henley Centre's forecasts of a prosperous future: it has shown once there is a way out of recession and is determined to do so again. That achievement should be a inspiration to other parts of Britain now in the grips of an economic downturn.

IN THIS SURVEY

Anthony Moreton takes the political temperature

Life may get harder for Conservatives

EVER SINCE Sir Anthony Meyer unavailingly challenged Mrs Margaret Thatcher for the leadership of the Conservative party last autumn, things have not been the same in the political world of Clwyd.

In normal circumstances, Sir Anthony could have basked in his handsome majority and looked forward to an uninterrupted reign in his seat – Clwyd North West – for as long as he wanted to remain an MP. But after his challenge, circumstances were anything but normal.

He was never going to defeat Mrs Thatcher: everyone accepted that. However, his candidature as a stalking horse upset powerful forces within the constituency and within two months he had been deselected.

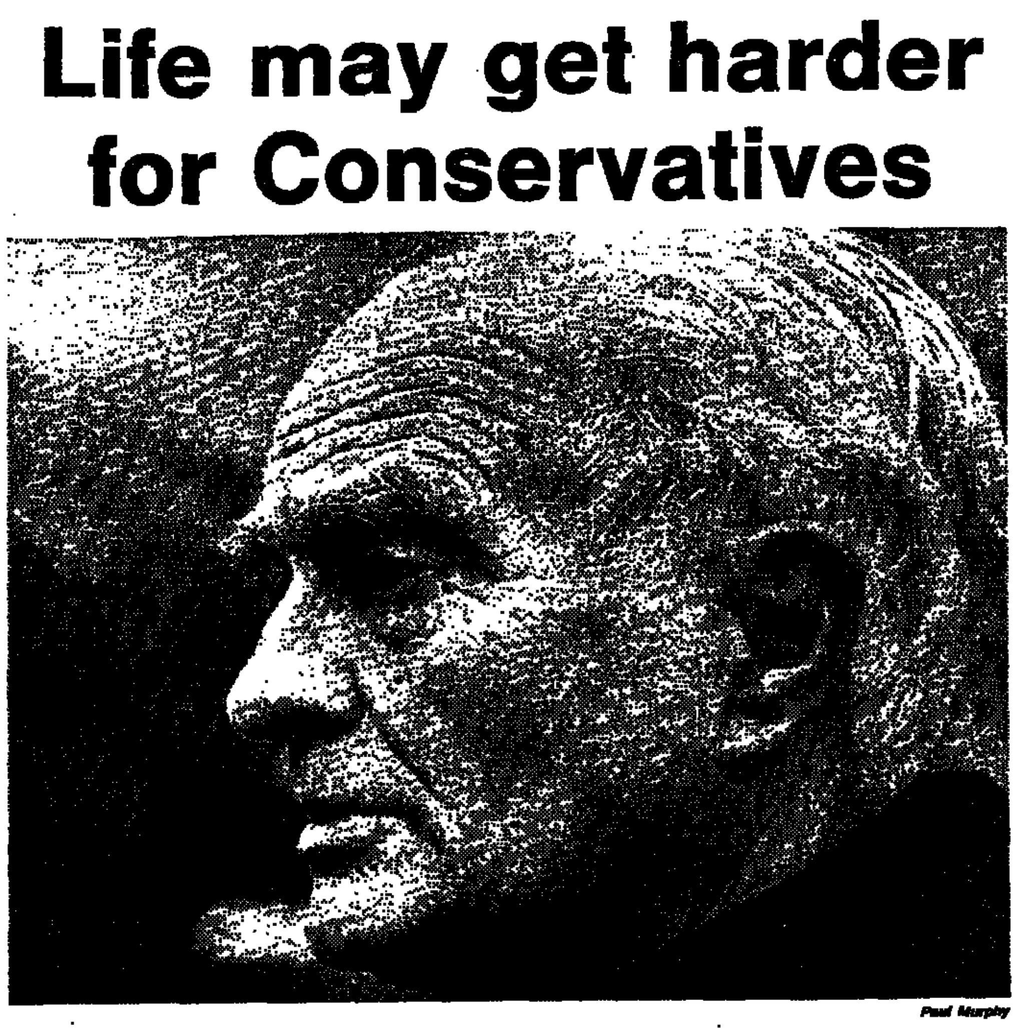
However, Sir Anthony, educated at Eton and wounded while on active service with the Scots Guards during the Second World War, is not the sort of man to give in easily. He determined to fight, even to the point of threatening to stand as an independent – until allegations about his private life in a Sunday newspaper forced him to admit defeat.

Sir Anthony's running battle with both his party establishment and the local constituency focused unexpected attention on Clwyd's politics. That attention is likely to be intensified as, in the shadow of Eastbourne, the Liberal Democrats now believe another Tory seat, Conwy, is the 11th most winnable seat for them in Britain.

Labour, too, has hopes of gaining ground in the area. Last year at the European election, the party captured the North Wales seat, of which Clwyd is in effect half – ironically, following the collapse of the then Liberal-Alliance vote. It also won the county council – albeit with a majority of one – for the first time since local government reorganisation in 1974.

In 1987 Labour narrowly captured Clwyd South West and as the Tory majority in Delyn is only 1,224, it has high hopes of adding another Tory scalp whenever Mrs Thatcher calls the coming general election.

At present, the Conservatives hold two of Clwyd's five parliamentary seats and Labour has the rest. The Conservatives should retain Clwyd North West, which takes in a lot of seaside territory. But Sir Anthony had a considerable vote – he increased his majority against the national trend with a swing of 5.5 per cent in 1987 – and much depends on how the electorate, already badly hit by the poll tax and the national business rate in the holiday areas, reacts.


Paul Murphy

Sir Anthony Meyer: stalking horse

The Tories' other seat, Delyn, is held by Mr Keith Raffan, once a parliamentary reporter on the Daily Express. A Labour party conference in Harlech late in September paid particular attention to Delyn and the shock troops will be sent in when Mrs Thatcher blows the whistle.

Despite Mr Raffan's narrow majority, much depends on what happens to the Liberal-Democrat vote. Until Eastbourne it was collapsing in Wales, as in so much of the rest of the UK. Now, Mr Raffan is still entitled to hope.

Neither Wrexham nor Alyn and Deeside, held by the shadow Welsh spokesman, Mr Barry Jones, who entered parliament in 1970 at the same time as Sir Anthony Meyer, looks like changing hands and with the polls still giving Labour a substantial lead, the party should hold on to Clwyd South West.

Apart from Conwy, it is hard to see the Liberal-Democrats doing well elsewhere. Even Mr Tom Ellis, once a popular Labour MP for Wrexham, could win no more than a fifth of the vote for the Alliance in Clwyd South West three years ago and less charismatic figures are unlikely to better that performance.

As for Plaid Cymru, the Welsh Nationalists, their cause is little short of hopeless. Clwyd is an anglicised part of Wales and neither nationalism nor the Nationalist party cuts much ice here. In 1987 the party polled as few as 478 votes in Alyn and Deeside and its best result was 3,987 in Clwyd South West, the seat Labour won.

Plaid Cymru has so far selected candidates for only two constituencies and now that the party is pulling back from its previous position of fighting all 38 Welsh seats, it might not even turn up in some Clwyd constituencies next time round.

Part of Plaid's problem is that the issues facing the electorate are national, British ones without a specific Welsh dimension. The poll tax, the rate of inflation and high interest rates are of more consequence than purely Welsh issues.

Closure of the Brymbo steelworks in Wrexham and Laura Ashley's garment plant outside Mold are likely to be of little solace politically to the nationalists. Nor is the eventual opening of the Dee crossing.

Life can be hard for the Nationalists in this part of Wales and it is beginning to look as though it might also be hard for the Conservatives.

TRAINING

Fine tuning is better than a broad brush

THE North East Wales Training and Enterprise Council has been set up, like other TECs across the country, as a private sector enterprise to take over the programmes of the local branches of the Government Training Agency, which used to be the Manpower Services Commission.

But the TECs in general and the North East Wales Council in particular hope to do more in the way of broader economic development and more specific targeting of training than just take over the youth training scheme (YTS) and the employment training (ET) for the older long-term unemployed, which have been the two main programmes of the training agency.

Mr Tim Harris, managing director of the North East Wales TEC, feels the YTS in the area, which more or less coincides with Clwyd, has been a success.

In the current year some 800 youngsters or a third of those on YTS schemes will attain the national vocational qualification grade 2. Virtually all the youngsters who have been on YTS schemes will find full-time jobs.

The ET programme – the scheme which anyone who has been unemployed for six months can join – has been less successful. On top of his normal benefits he (for in this area it is usually a he) receives £10 a week.

Because of the dramatic drop in unemployment in north-east Wales in the past decade – it has fallen from 20 per cent in 1981 to 6.2 per cent now – there are not many suitable people for ET. Many of the unemployed are what is known as structurally unemployed in that they lack the motivation to return to regular work.

In both cases, however, the YTS and the ET there was a feeling that the approach was too broad brush, in that they were aimed at reducing the unemployment levels willy-nilly and ignored the specific skills requirements of individual employers.

Hence, the Tecs have been set up. Having said that, the north-east Wales TEC will spend some £10m of its £11m turnover in its full year (which starts next April. It has only been in operation for six weeks) on these two main government programmes. The TEC in this area has also inherited the enterprise allowance scheme and the business growth training scheme from government agencies.

Later the TEC will try to target training in a more discretionary way than just trying to get people off the dole queues. "Two-thirds of the board of the Tec are managing directors who will be expected to say what their specific training requirements are."

Next year the training voucher scheme will be introduced and the TEC will start a number of other projects which will, it is hoped, match skill requirements more closely with training.

The area has special training needs. Some 31 per cent of the region's workforce (compared with 17 per cent nationally) are in jobs with low skill requirements. Around 35 per cent of the workforce (compared with 23 per cent nationally) is in the manufacturing sector. It is by and large a low wage economy.

While some of the new manufacturing concerns have been trying to substitute female workers for male ones, because females are lower paid, older established concerns do not like to mix women with men on the factory floor. This means that while there is an overall wage problem there is also a gender problem in the older concerns. The result is that the newcomers can achieve better productivity – through lower wages.

What the region needs to do is to try and upgrade the kinds of jobs available. It needs to get away from the heavy dependence on manufacturing or screwdriver type operations and create more white collar jobs – more professional and managerial ones.

To do this it must match training more exactly with its needs, having first established what the needs are.

Stewart Dalby

Profile: KIMBERLY-CLARK

Kleenex: shedding no tears

KIMBERLY-CLARK is probably better known for some of its products than for its own corporate title. Everyone has heard of Kleenex tissues, but few could say who makes them.

The company, which is a wholly-owned subsidiary of a US parent, moved part of its operation to Clwyd in 1981 because it had outgrown the space at its headquarters, in Maidstone, Kent, where it had been since 1955 and where it still employs 1,500 people. Apart from Kleenex, it makes a range of products for industry, using recycled waste paper as a raw material.

When in 1980 the company started looking to expand, it was pointed at former steel towns. These towns had seen huge job losses as the industry contracted. One way and another, companies deciding to relocate could attract a great deal of help. There were regional development grants. The European Coal and Steel Community Fund offered loans, and there were various other inducements. But in addition, Clwyd had access to the Welsh Development Agency, which built cheap factories.

Kimberly-Clark has a corporate philosophy of not giving its managers titles. But "Mr Colin Thomas says that it is all right to refer to him as European development manager," I was told.

Mr Thomas says that the high level of assistance available was one important factor in the company's decision to choose Clwyd. But there were others.

The company was impressed by the quality of the site on offer. "We are in a capital-intensive business. For example, our latest investment in machinery amounts to around £40m but it needs only 100 people to work it. The site we were shown was just we wanted."

Another factor was that Clwyd County Council seemed to have its act more together than other local authorities with which the company had dealt, according to Mr Thomas. It was very helpful in all sorts of ways. Kimberly-Clark was concerned about the closeness of Deeside to Liverpool. There were fears that the bad industrial relations situation on Merseyside would spill over to Deeside. The company was persuaded by the council that this would not be the case. So it has proved.

The settled industrial relations on Deeside was, in fact, the clinching argument for choosing Clwyd. The area had a high unemployment rate of skilled workers. Moreover the workforce had a reputation for flexibility.

"When were looking at coming here," Mr Thomas says, "we were told by the Welsh TUC that a single union agreement could be arranged. This was unusual at the time. We have had virtually no industrial strife at all in almost 10 years."

Kimberly-Clark now has over 400 employees in three sites in the area. There are 200 employed at the factory on Deeside. A further 200 work in Flint. This number is scheduled to rise to 300. There is a small administration unit in Chester Business Park. This is not in Wales, of course and the building is on a temporary lease.

The idea is that a staff of 50 will be built up in Clwyd to spearhead European development. At present, Kimberly-Clark's UK turnover is some £250m. Clwyd accounts for some 30 per cent of UK turnover and around 50 per cent is exported to Europe, even though the company does produce in France and Germany.

So far Kimberly-Clark has invested around £75m in Clwyd. The initial investment was £17m and was buttressed by government assistance. The latest spending has been Kimberly-Clark's own money either through retained profits or borrowings.

Given this considerable commitment and the fact that the company regards its activities in Wales as part of a European operation, is Kimberly-Clark not on the wrong side of the UK for Europe?

Mr Thomas does not agree. The cost of road and freight through Felixstowe is only marginally greater than shipping through Felixstowe alone, he points out.

"Distances are not great in the UK, and communications in Clwyd have improved greatly in recent years," he says.

Mr Thomas also cites Manchester Airport as a great bonus. It takes only 40 minutes to drive to the airport from the company's factories. It is easy to fly to European destinations from Manchester. But Mr Thomas feels that services to the US need to be improved, both in the number of destinations and the frequency of flights.

Have there been any drawbacks? The only problem has been in persuading senior managers and administrators to relocate, says Mr Thomas.

"Some people were put off because it is in Wales," he recalls. "They were suspicious because they feared that their children would have to learn Welsh at school."

However, once in the area, according to Mr Thomas, these fears are quickly dispelled, and people are very keen on the quality of life available.

Stewart Dalby

Profile: ALLEN INDUSTRIAL

High standards are no problem on the hills

ALLEN INDUSTRIAL manufactures air brake and electrical coils for the automotive trade. It provides the essential link between tractor and trailer units. It also produces nylon tubing for the industrial and automotive markets, writes Stewart Dalby.

It has emphasised quality control, rigorously applied through B.S. 5750, the British standard, which is consistent with the German DIN standard and other European and American standards like the SAE.

The adherence to German DIN standards is important since 70 per cent of turnover is exported. Allen claims it has established itself as a market leader in Germany and other European countries.

Mr John Usher, the general manager, says: "We have expanded as we have wanted to, only in line with strict adherence to standards. We do not have to worry about 1992 and common standards as we already meet them."

The company had a turnover of over £3m in 1989-90 and a profit of around £183,000. Turnover was around £1.5m when the move to Clwyd was made in 1986.

Allen is in the throes of moving out of its 10,000 sq ft factory to new premises, double the size, across the road. There is land for further expansion should it be needed.

Allen Industrial thus looks like a successful small company with good products set for expansion. It has noticed a slight slowdown in orders in the UK, but with its overseas markets is not concerned with the talk of recession.

Given the importance of the export market to the company and the fact that nylon granules and other important imported raw materials come from Switzerland, how does the company come to be in Bodelwyddan in the west of north Wales?

The simple answer is that one of the founder directors, Mr Nigel Davies, wanted to live there. The company had three founders when it was started in 1982. Mr Gerald Turley is still managing director. The third partner has since left the company.

When Allen had some difficulty in obtaining raw materials, Mr Davies started a new company in Wigan called Contact Cables. He then moved to Bethesda in north Wales and now commutes to Wigan when necessary.

Although a southerner himself, Mr Davies loves the space and the hills of north Wales. He feels the area offers a better quality of life for his children. Though unhappy about his children learning Welsh at school, he has found a predominantly English-speaking school

Mr Davies' decision to be in north Wales was a main reason for the company's move but it was not the only one. The factory which the company occupies was built by the Welsh Development Agency and so was comparatively cheap. There was also a regional development grant. The new factory is on a 125-year lease and there has been a European Steel and Coal Community loan to help with the expansion.

Both Mr Davies and Mr Usher praise the benign working atmosphere. The extra distance does not add appreciably to costs. It takes three-quarters of an hour to drive to the Welsh border and the motorway network. Since the A55 expressway was dualled recently it a fast drive of just over an hour to Manchester airport.

The company has little difficulty in acquiring the workers it needs for its factory, but there can be problems in finding senior administrators and research staff. But, says Mr Usher, they usually fall in love with the place once they visit.

Mr Usher can think of only one disadvantage: there was a shortage of craftsmen, carpenters and the like when the company was being set up. But this is not a problem now.

Plas Newydd in Llangollen — the town where the International Eisteddfod is held in July — and (right) Colwyn Bay, one of the area's leading seaside resorts

Tourism and the local economy

New hotels look for more business

ONCE A year every July visitors from around the world flock to the little town of Llangollen for the International Eistedfodd, a competitive week of music and dance.

Competitors in their national costumes, from Chile and Bulgaria, from deepest Africa and furthest New Zealand, amble around the streets and take part in what has become the world's leading festival of folk music and dance.

The Welsh love eisteddfoddau. Wales is ablaze with them throughout the summer months as villages and towns hold their own festivals culminating in the Royal National Eistedfodd every August, held alternatively in north and south Wales.

The National is essentially a celebration of Welsh culture. Llangollen has taken the principle and extended it to the international stage; Welshmen and women compete but at Llangollen the emphasis, unlike the National, is outward-looking, towards the world.

Competitors and audience have, for the past four decades, had to put up with largely temporary seats and stages. Now the eistedfodd is to spend £3m on an imaginative structure on the festival field which will allow a large expansion to take place during festival week around a core of buildings that can be used for different functions during the rest of the year.

This is part — albeit the major part — of improvements costing £8m.

The investment is being undertaken as a co-operative development between the private and public sectors. Seating for up to 2,000 will be available throughout the year and when the temporary canopy — a futuristic-looking shell — is added in summer the capacity will rise to 6,000.

If Llangollen is the international star in Clwyd's holiday industry, the county also has in the north Wales coastline part of one of the leading resort areas in Britain. Colwyn Bay, Rhyl and Prestatyn, together with nearby Llandudno across the county border in Gwynedd, is bucket-and-spade country.

Like similar British resorts, the north Wales coast has been badly hit by the alternative attractions of the Spanish coast. Like its British competitors, north Wales was slow to meet the challenge of the Costas and now faces an uphill battle to arrest falling numbers and income.

Out of season, with the wind blowing across grey skies, the lack of investment in the 1960s and 1970s shows. A coat of paint, removal of the DIY shops in prime positions selling cheap plasticware, encouragement of wine bars and freshening up the pubs would help bring in higher spenders.

Over the past decade, there is evidence that the message has got through. Rhyl invested heavily and successfully in its Sun Centre leisure complex. The town has, more recently, bought the sky tower from the Glasgow Garden Festival and this now dominates the front away from the Sun Centre. Similar investment at Colwyn Bay has seen the creation of the Welsh Mountain Zoo.

Resorts may do better in the "shoulder" months than in late July and August

A 1,000-seat theatre is also being built next to the Sun Centre which will act as a focus for top-level entertainment on the coast. The economics of showbiz are such that to get big names a big auditorium is essential. With the big names the crowds will come to spend their money.

More recently, the resorts have tried to extend a season whose peak is as little as six weeks. It says something that some observers now believe Clwyd's resorts may do better in the so-called "shoulder" months than in late July and August.

If they do, then this success reflects the considerable amount of new money that has gone into the hotel business within the county, new money that has seen both new hotels and upgraded hotels capitalise on the county's scenic attractions, inland as well as on the coast.

Last month Mr Malcolm Davies opened his first Autolodge on the A55 expressway at Northrop. Mr Davies light-heartedly describes Autolodge as "a bedroom factory", the sort of place where people are provided with minimum services at a reasonable cost. The Autolodge is the first of what Mr Davies sees as a national chain challenging, among others, THF's Travelodge chain, one of which is situated strategically outside Wrexham.

Autolodge, and Mr Davies, are symbolic of the new enterprise culture. Ten years ago he was a production manager at the giant Shotton steelworks. When the works closed Mr Davies set up on his own, went into waste disposal with a fleet of skips, became involved in bulk excavation and moved into developing factory units. He built nine at Bromborough and plans another eight for Mold next year.

"A lot of hotel bedspace is being created along the Deeside corridor," says Mr Dewi Davies, development resources manager for the Wales Tourist Board. "New hotels are also going up elsewhere in the county, which should attract more high-income visitors."

A growing local group, Redrow, has a 130-bedroom hotel together with conference facilities at Ewloe on stream for opening next April and it is looking at other sites for development. A Travelodge has just opened at Northop to supplement those at Halkyn and Wrexham.

The sensitively done Soughton Hall, at Northop, built during the reign of George I, is the flagship of the country-house hotel brigade. It vies with nearby Bodysgallen Hall, outside Llandudno in Gwynedd, which is probably the best country-house hotel in Wales. and can stand comparison with the top rank in Britain.

A new entry into this sector is Kinsale Hall, a 30-bedroom hotel near Flint, which will be open in the near future. "These are all very encouraging," says Mr Gareth Evans, Clwyd's tourist development officer, "but we still want to see more country-house hotels."

At the end of this month a marketing initiative will be launched in London to create greater awareness of north Wales. A budget of £1m contributed by all the local authorities, the Wales Tourist Board and the Welsh Development Agency has been put behind a five-year programme. Having missed its direction in the 1970s and early 1980s, north Wales is determined not to fall further behind the Costas in the 1990s. **Anthony Moreton**

INDUSTRIAL PROPERTY

Bumpy ride ahead

MR Graham Watson looks out of his window on the Wrexham industrial estate and paints a bullish picture of the property scene. Across the road, his view takes in a recently completed plant for CP Pharmaceuticals, part of the Fisons group, and just round the corner is JCB Transmissions. Other big names such as Kelloggs and Courtaulds attest to the way in which this corner of north Wales has acted as a magnet for inward investment.

Mr Watson is the Welsh Development Agency's regional director for north-east Wales and as such has been responsible for much of the £54m that the agency has poured into factory space in the county over the past 11 years.

That money has been spread around the county — on the industrial park at Deeside, at Greenfield, at St Asaph and in the rural areas. Nor is the WDA the only operator, as the private sector is playing an important role in developing sites. The two sides have now come together in a number of joint ventures which both encourage the private sector and free the agency to devote more of its resources to those parts where the private operator is less keen to go.

Among the private-sector operators are Redrow, a growing local concern, which has developed the 137-acre St David's business park at Ewloe, some eight miles across the border with England which includes a 120-bed hotel opening next spring; Rawlins, which is looking to exercise an option on a second phase at Sandycroft; Beech Construction, which has built units on the Deeside Industrial Park; Pochin, which is building 20,000 sq ft at Wrexham on land bought from the agency; and Wyncon, whose units on the enterprise zone in Flint are virtually full.

So far, interest in the area has held up well but there are now signs that the recession affecting the British economy is beginning to be felt in this part of Wales, too. "It is causing slight ripples," Mr Watson admits, "especially among the small and medium-sized businesses.

"These people are finding it very difficult to keep going and some have handed their leases back."

But he looks to the bright side and says that at least three large public companies have plans to extend their businesses "which shows a confidence in the future" and he says "there are still new people coming into the area."

The number of inquiries is dropping, though, and most operators in the property world believe a bumpy ride lies ahead over the coming months.

Clwyd has not been helped by two important closures which leave question-marks hanging over the works involved. The largest is the Brymbo steel works of United Engineering Steels, where the last tapping of the steel took place late in September.

Brymbo occupies a strategic site overlooking Wrexham and sits in about 400 acres, of which perhaps 100 could be developed for industrial or commercial use. The works is expected to close around the end of the year and its future is unclear. United has appointed agents to advise it on the disposal.

Mr Bob Dutton, chief executive of Wrexham Maelor borough council, believes at least two concerns are interested in the site but he will not be drawn on how they might see its future use.

The other question hangs over the Laura Ashley works at Lees Wood whose closure was announced by the company last month as part of the rationalisation programme to bring costs under control. So far, the company has given no indication of what it intends to do with this site.

Clwyd has been highly successful in providing for manufacturing industry and its great need now is the provision of office space. A move by part of the Inland Revenue to Wrexham will help and the Archimedes Centre in the town, next to the general hospital, into which Midland Bank and Abbey National have already moved, is another encouraging step.

Mr Glyn Pittendreigh, the WDA's property manager for north Wales, believes more needs to be done in towns such as Colwyn Bay to encourage office development. "One of our major tasks," he says, "is to encourage office development because it offers different job opportunities and helps to raise wage levels."

Several such developments are taking place. A 95-acre business park is being undertaken by the agency at St Asaph in conjunction with Pilkington, Clwyd county and Rhuddlan borough councils. A start is expected next year.

At Greenfield business park the agency is building 84,000 sq ft in eight units where once Courtaulds had a giant textile works. "Other plots in the county of 20-25 acres are also available," Mr Pittendreigh adds.

It is on the industrial front, though, that there is greater availability. The Deeside industrial park — among the 90 tenants is Toyota — is being expanded to encompass 1,000 acres. A further phase is being added to the WDA's estate at Tir Llwyd close to Towyn, the town that achieved unfortunate notoriety last winter when it was flooded, and the smaller, inland towns of Denbigh, Ruthin and Mold are all getting a share of the development cake.

A private developer is building nursery units at Ruthin, industrial land has become available at Mold and in Denbigh ways of extending the industrial estate are being studied.

As a result of this activity rent rolls have risen, which encourages the private developer. But they are still reasonable enough to be an inducement to an incoming concern, too.

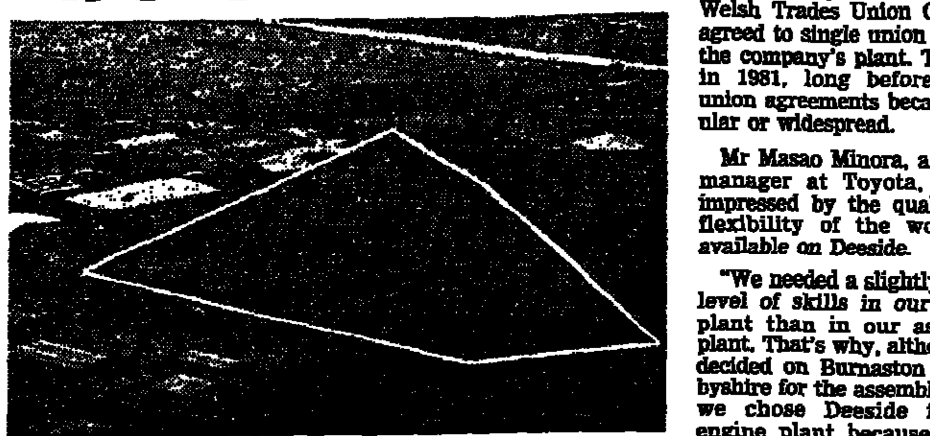
In Wrexham the market is looking at, say, £3-plus a sq ft for a plant and on the Deeside industrial park even a 50,000 sq ft plant is now commanding at least £4.

A recent report circulating within Clwyd County Council concluded that while most of the emphasis would continue to be on the eastern side of the county, more focus needed in future to be directed to the west. The A55 expressway road, which runs across the top of north Wales, is seen as a vitally important tool in achieving this objective.

Anthony Moreton

Stewart Dalby on industry's revival after its decline in the 1980s

Picture may be of health



Toyota's engine plant site at the Deeside industrial park

CLWYD, like some areas of the industrial north of England, underwent an abrupt decline at the beginning of the 1980s. Dependence on a few large industries, such as chemicals and textiles, which had been running down for some years, resulted in huge job losses. This process cumulated with the closure of the steelmaking facilities in Shotton, which in one bound threw 8,000 onto the unemployment queue. The coal mines also shed jobs.

By 1981 there were 22,000 adult males out of work, equivalent to just under 20 per cent of the workforce.

Over the past decade, Clwyd County Council, helped by hefty government aid, has made good these losses by attracting in new kinds of companies. Unemployment has fallen to 6.2 per cent, just under the national average.

This level could rise when the Brymbo steelworks closes towards the end of this year with possibly 1,000 jobs lost. But Clwyd seems to have established a sufficiently strong new kind of manufacturing base to ensure that there should be no repetition of the traumatic shake-out of the early 1980s.

Many of the companies that have come into the area have been foreign. Some 6,000 people are now employed by foreign concerns. The largest single contingent is from the US but

Seven big Japanese concerns employ a total of 2,500 people

western Europe is also well-represented. Some of the well-known names are Kellogg's, Kimberly-Clark (which makes paper products), Monsanto and Metal Improvement.

Japanese companies also have a strong presence. Seven big Japanese concerns employ a total of some 2,500 people. The best-known among them is probably Toyota, which has an engine plant on Deeside's 600-acre industrial estate. When completed, it will employ 320 people and represent an initial investment of £250m.

It has not just been foreign concerns which have brought about a revival of economic activity. British companies have also contributed to the fall in unemployment, either through rationalisation, reorganisation or expansion. British Steel still has a presence in the area, as do Pilkingtons and British Aerospace. Several new companies, among them Shotton Paper, have established themselves.

Through this combination of domestic and foreign investment the economic health of Clwyd has largely been restored. How has this come about?

In the early 1980s, of course, Clwyd was a heavily assisted area. Not only were there regional development grants and potential loans from the European Coal and Steel Community Fund, but there was also the Welsh Development Agency. Many companies looking to relocate and expand away from their existing premises were pointed towards the old steel areas. This included not only Deeside and Shotton but also Consett in Northumberland, Scunthorpe in Humberside, Ebbw Vale and Port Talbot in Wales.

Regional development grants have now given way to selective regional assistance, and overall, the level of help is not as great as it was. But the degree of effective subsidy given in the 1980s, taken together with the cheapness of land and the extensive factory building programme of the WDA, made for powerful inducements for a company to set up in Clwyd.

However, the assistance was not the only reason. Deeside had a good reputation for having a more than usually flexible workforce with good industrial relations.

One major company which has made a large investment in the area said that one of the reasons why the company picked Clwyd was that the Welsh Trades Union Congress agreed to single union deals at the company's plant. This was in 1981, long before single union agreements became popular or widespread.

Mr Masao Minora, a general manager at Toyota, is also impressed by the quality and flexibility of the workforce available on Deeside.

"We needed a slightly higher level of skills in our engine plant than in our assembly plant. That's why, although we decided on Burnaston in Derbyshire for the assembly plant, we chose Deeside for the engine plant because of the workforce. We also have the opportunity to get three-shift working at Deeside, and probably only two shifts at Burnaston," he says.

Besides the investment that the government and its agencies have made into drawing companies into the area, money has also been spent on the infrastructure. A road programme means that the A55 which goes around Chester and

The newcomers look more durable than previous job-creators

into the heart of Clwyd and to the west coast has been dualled and links up with the M56 and Manchester and the North. A link road with Wrexham and the south is currently being improved. With Manchester airport only 40 minutes drive away, communications and access into Clwyd have improved considerably.

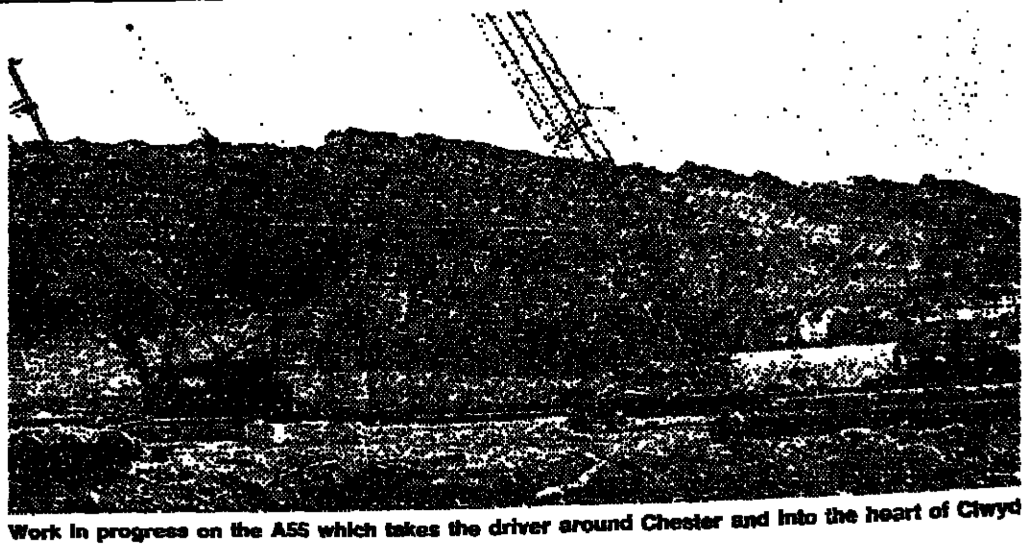
One or two companies loudly sing the praises of Clwyd County Council. One says: "It has its act more than usually together when it came to persuading us of the benefits of the area."

The council is not complacent, however. It realises that although there has been a gratifying influx of companies into the region, most of them are manufacturing companies which do not always pay the best wages.

While the workforce is known for its flexibility, it is not, except for parts like Deeside, as highly skilled as some other old industrial areas. There are fears that if recession really bites and the going gets tough, there could be lay-offs and companies could disappear as quickly as they arrived. In short, there could be a return to the old satellite or branch mentality of the 1960s and 1970s.

However, there are no signs of any branches being cut so far. The newcomers look more durable than previous job-creators. Nevertheless, the local authorities are keen to upgrade the quality of jobs being created by getting away from manufacturing to some extent and moving into better-paid service industries. In particular, they want to attract automotive companies which can benefit from the spin-off of Toyota not only in Deeside but also in the Midlands.

Some service companies such as Iceland Frozen Foods are already in the area. But in the past Clwyd tended to lose out to Chester just across the border as a home for service companies. Rents, however, have been rising in Chester and competition for any available space is keen. The hope is that Wrexham will now benefit from the overspill. Several government departments are known to have been looking round in the north Wales town, and so have other service companies.



Work in progress on the A55 which takes the driver around Chester and into the heart of Clwyd

ROAD AND RAIL LINKS

Back on track, getting closer to the action

CLWYD County Council has a detailed section on communications in its promotional literature.

There is nothing unusual in this. Every economic development unit in every city or town hall is at pains to point out to potential investors that its area has every possible connection to the country's road and rail network and is convenient for its ports. Competition for investment is intense and good communications are essential to secure new projects.

Clwyd lays special emphasis on its links with the rest of the country, however, partly because in the past it has been perceived to be remote and predominantly rural, both of which it is not.

Because it is in north Wales, Clwyd is sometimes thought of as being off the beaten track. What industry there used to be in Wales – steel, coal and shipbuilding – generally seemed to be in the south.

In reality, there were always two Wales, industrially speaking. There were the shipyards of Cardiff and Swansea, and the steelmaking belt between the two towns. There was coalmining in the valleys.

But there was also steelmaking, as well as textiles and engineering in Clwyd, particularly along Deeside. As these old industries declined, new industries were attracted into north and south Wales. As in the past, both areas looked inward towards England, rather than north to south, or towards each other.

Cardiff and the area around were seen as an extension of the M4 corridor. A great number of companies had relocated, expanded or moved to Bristol, Swindon and Reading, towns along the M4.

Clwyd saw itself as a part of the old north of England industrial complex as well as more closely linked with the Midlands rather than industrial south Wales.

As part of the campaign to attract new industries and new jobs, large public sector investments were made. These included not just a factory-building programme but government spending on roads and the infrastructure.

Eastern Clwyd (Deeside) has a high standard dual carriageway to the end of the M56 motorway. This major artery links the area up with Manchester and points further east. On a north-south basis the M53 links up with the dual-carriageway A55 which goes completely around Chester and takes the driver into the heart of Clwyd.

The road programme is continuing. Currently £65m is being spent. The A483 is to become a dual-carriageway. This will improve the links between Chester and Wrexham, while providing fast access to the M56 to all of the eastern part of the county. All the A55 is now dual-carriageway, right from the English border along to Conway on the west coast. It is now called an expressway, and provides access to coastal resorts, such as Rhyl.

Thus, over the past 10 years Clwyd has been opened up for road traffic. It is estimated that the driving time to London is 4½ hours, and to Birmingham two hours. To Glasgow it takes five hours and Manchester 1¼ hours. Liverpool is three-quarters of an hour away by road.

Liverpool, of course, remains one of the UK's major ports. It has lost out in some areas to the east coast ports because of the growing trade with Europe. However, it can handle every kind of cargo: containers, grain liquid bulk and general.

Both Liverpool and Clwyd generally have good rail connections with the rest of the UK. The freightliner terminal at Liverpool links the quayside directly with the railways.

From Chester, which is not quite in Clwyd but is right on the border, an inter-city rail link takes 2¾ hours to London's Euston. Birmingham by rail takes 1 hour and 10 minutes. Both Newcastle and Glasgow are 4 hours and 20 minutes away.

One of Clwyd's biggest selling points, however, is the proximity of Manchester Airport. Given the enormous congestion of London's two main airports, Gatwick and Heathrow, Manchester has become increasingly popular among businessmen in the north of England. You can fly to more than 100 destinations from Manchester. There are 16 destination points within the UK and the Channel Islands. Most of the European capitals are catered for, including 16 in northern Europe and 36 in southern Europe.

Manchester, unlike Birmingham, has been granted gateway status, which means it is possible to fly to the US. Flights go regularly to nine destinations in the US. There are also some flights to the Middle East, south-east Asia and Australia.

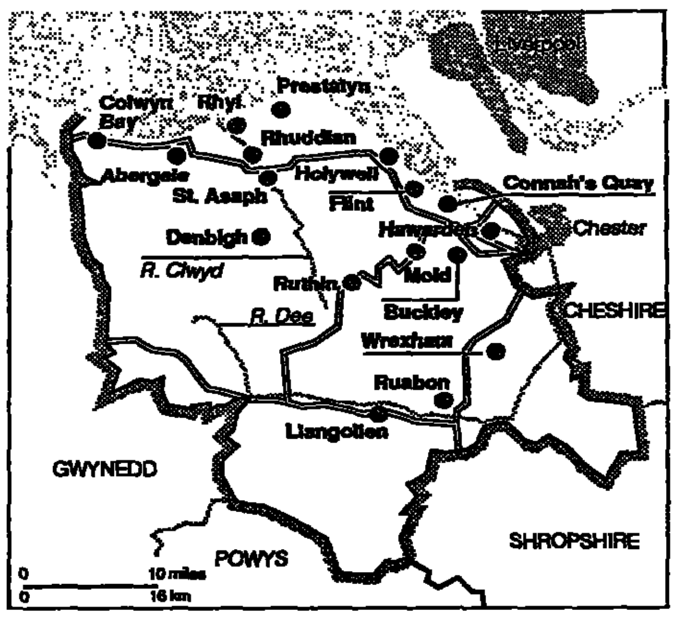
Altogether, some 6m passengers go through Manchester. It is an easy airport to reach compared with London's airports. For instance, it is just 45 minutes by road from Chester.

The airport has also upgraded its freight handling capabilities. A new £6m purpose-built cargo centre at the airport provides office accommodation for freight forwarding agencies and for customs. There is a computerised cargo handling system which enables more than 60 freight handling companies in and around the airport to provide a fast service. The cargo centre has its own direct access on to the M56 which helps avoid congestion delays.

While Clwyd could not claim, even if it wished, to be right in the middle of the UK's distribution centres, spending on roads in particular in the past 10 years has meant that the county has become an integral part of the north of England's industrial complexes, as well as being convenient for the locomotive industries in the Midlands.

The ease of access which has developed has been one of the main factors in attracting new industries. The port at Liverpool and the airport at Manchester are rather nice bonuses on top of the good road links.

Stewart Dalby



KEY FACTS

Population: 1984: 391,000; 1996 (projected): 422,000
Workforce: 1984: 173,000; 1996(projected] 191,400
Clwyd has large rural areas but there are concentrations of population and industry in Flint and Rhyl along the River Dee and around Wrexham.

Employment structure:
Some 35 per cent of the region's workforce (compared with 23 per cent nationally) is employed in the manufacturing sector. Manual workers make up 46.8 per cent of the workforce and non-manual workers 53.2 per cent.
Unemployment:
The jobless rate is currently 6.2 per cent, compared with just under 20 per cent in 1981 and a national average of slightly more than 6.2 per cent.

Assistance available to companies
- *Government financial incentives in the development area* include regional investment grant to independent companies with fewer than 25 employees, which may apply for grants of 15 per cent of the cost of fixed assets up to a maximum grant of £15,000.
- Regional Selective Assistance is available for investment projects undertaken by companies in the development area. The projects must be commercially viable, create or safeguard employment, demonstrate a need for assistance and offer a regional and national benefit.
- European Coal and Steel Community loans are available in Clwyd's steel and coal closure areas (broadly the development area) for qualifying projects.

For companies locating within the **Delyn enterprise zone**, Flint, there are important additional advantages.
- *Freedom from the payment of local authority taxes on* industrial land and commercial buildings up until July 1993.
- One hundred per cent allowances for corporation and income tax purposes for capital expenditure on industrial and commercial buildings during the same period.

The Enterprise Initiative: For independent companies with up to 500 employees there are a series of initiatives available throughout Clwyd.

Further information: ring Clwyd County Council 0352 2121

FT LAW REPORTS

Shipowners' collision writ was not a nullity

OWNERS OF SARDINIA SULCIS v OWNERS OF AL TAWWAB
Court of Appeal (Lord Justice Lloyd, Lord Justice Stocker and Sir George Waller): November 8 1990

THE PLAINTIFF'S name on a writ *in rem* issued on behalf of shipowners can be corrected retrospectively by substituting the name of a different person, if the writ was issued in the mistaken belief that the named plaintiff existed and had the right to sue, and if, at date of issue, there was no reasonable doubt as to the identity of the person intending to sue, namely the owner of the ship.

The Court of Appeal so held when dismissing an appeal by the owners of the defendant ship, Al Tawwab, from Mr Justice Sheen's decision granting an application by the *owners of* Sardinia Sulcis to correct the name of the plaintiffs on the writ.

LORD JUSTICE LLOYD said that on April 23 1979 the Sardinia Sulcis suffered collision damage while lying off Karachi. She was in charter at the time.

The owners were Sardanavi Societa di Navigazione Marittima SPA, a wholly-owned subsidiary of Sindicaco Immobiliare Turistico SPA (SIT).

The time charterers were Kawasaki Kishen Kaisha Ltd (KKK).

The damage occurred during a lightening operation carried out by the Al Tawwab. The charterers paid the $443,914 cost of repairs.

In the present proceedings, brought in the name of the owners of Sardinia Sulcis, the charterers were seeking to recover the cost of repairs from the owners of the Al Tawwab. The action was an Admiralty action *in rem*.

The writ was issued on April 14 1981. In March 1987 the parties reached a compromise agreement, subject to one point. The agreement, that the defendants would pay 65 per cent of the claim, was recorded in a court order dated March 23 1987.

The remaining point was referred to arbitration. The submission to arbitration was signed by solicitors for the *owners of the two vessels.*

The arbitrators described the point taken by the defendants as wholly lacking in merit or commercial reality.

On July 23 1987 the defendants' solicitors received advice from correspondents in Italy that Sardanavi had ceased to exist on July 4 1980, as a result of merger with SIT.

On August 11 1989 they issued a summons in the Admiralty Court to strike out the action on the ground that it had been commenced in the name of the wrong party and/or a party that had ceased to exist when the writ was issued.

Meanwhile on March 3 1989 the plaintiffs had issued a summons to correct the name.

Mr Justice Sheen decided all points in favour of the plaintiffs. The defendants appealed.

It was sufficiently established by the defendants that the effect of the merger in Italian law was that Sardanavi had ceased to exist (see Civil Code, article 2404).

Mr Cooke for the plaintiffs could not challenge the principle established by *Lazard Bros v Midland Bank [1933] AC 289* that a non-existent party could neither sue nor be sued. But he pointed out that there was no question in that case of the bank having been sued in the wrong name.

If the plaintiffs could bring themselves within the provisions of RSC Order 20 rule 5(3) *the principle of Lazard Bros* had no application.

By Order 20 rule 5(3) there was power to amend to correct the name of a party, even though the limitation period had expired; and even though it was alleged that the effect was to add a new party after expiration of the limitation period.

But the court must be satisfied (1) that there was a genuine mistake; (2) that the mistake was not misleading; (3) that the mistake was not such as to cause reasonable doubt as to the identity of the person intending to sue; and (4) that it would be just to allow the amendment.

As to (1), it never occurred to KKK's solicitor that Sardanavi had ceased to exist.

His mistake was in assuming that Sardanavi remained the company with the right to sue.

There was no reason to think the mistake was other than genuine.

As to (2), there was no question of the defendants having been misled. They knew as early as September 8 1979 that the solicitors were acting for KKK and that it was KKK who were the real plaintiffs in the action.

They knew as early as November 20 1980 that KKK would be suing in the name of the owners.

They knew by March 17 1981 that the vessel had been sold, *that the owners had subrogated* their rights to KKK and were now in liquidation.

The mistake was not misleading, and the defendants were not misled.

As to (3) it was established by the authorities (see *Evans v Charrington [1983] 1 QB 810*) that a name might be "corrected" within the meaning of Order 20 rule 5(3), even though it involved substituting a different *name altogether, and* the name of a separate legal entity even though it was objected that the effect of substituting the new name would be to substitute a new party.

But the amendment would not be allowed where there was reasonable doubt as to the identity of the person intending to sue or intended to be sued.

If in the case of an intended defendant the plaintiff got the right description but the wrong name, there was unlikely to be any doubt as to the identity of the person intended to be sued.

But if he got the wrong description it would be otherwise.

The point could be illustrated by *Rodriguez v Parker [1967] 1 QB 116*, where the plaintiff was injured by a car driven by RS Parker, but owned by his father, RJ Parker.

The plaintiff sued the father by mistake. It was held he could substitute the son. In *that case the identity of the* intended defendant was the driver of a particular car. It was held there was a mistake as to name.

If the plaintiff, however, had sued the driver of a different car, there would have been a mistake as to identity. He would have got the wrong description.

In the present case there could be no reasonable doubt *as to the identity of* the person intending to sue, namely the person in whom the rights of ownership were vested when the writ was issued.

That was the whole point of the exercise on which KKK's solicitors had embarked, as the defendants well knew. The description of the intending plaintiffs was clear enough.

It followed that the solicitor's mistake was a mistake as to name, not a mistake as to identity. Condition (3) was satisfied.

As to (4), it was clearly just to allow the amendment. Having regard to the history of the case it would be the height of injustice to allow such an unmeritorious objection to prevail.

The application to amend the name of the plaintiffs was allowed.

So far it had been assumed that an amendment under Order 20 rule 5(3) to correct the name of a party related back to the date of the writ.

That was the view taken by Mr Justice Hirst in *Joanna Borchard [1988] 2 Lloyd's Rep 274*. It was the better view.

If it were right that the amendment related back, then there never was a non-existent plaintiff.

The correction of the name meant that SIT were plaintiffs *ab initio*. The writ never was a nullity.

But what if the amendment did not relate back and the writ as issued was a nullity?

That was not fatal to the plaintiffs' claim to amend. In *Mercer Alloys v Rolls Royce [1971] 1 WLR 1520* a writ was issued in the name of a company which subsequently merged and ceased to exist.

The claim was compromised and judgment was entered in the name of the non-existent plaintiff.

The Court of Appeal assumed the judgment was a nullity, but held there was jurisdiction to amend the judgment to give effect to the parties' intention to settle the claim.

Assuming, contrary to his Lordship's view, that the present writ was a nullity when issued, he would have no hesitation in amending the court order of March 23 1987 to give effect to the parties' intention.

The case would be indistinguishable from *Mercer v Rolls Royce*.

The plaintiffs' application to amend the writ was allowed. The defendants' applications were dismissed.

Their Lordships agreed.

For the defendants: Hugh Bennett QC and Mark Templeman (Lloyd & Co).

For the plaintiffs: Jeremy Cooke QC (Richards Butler).

Rachel Davies
barrister

TECHNOLOGY

Samsung boosts D-Ram business

SAMSUNG Electronics, South Korea's largest electronics company, will start sampling its 16 Megabyte D-Ram chips next year and commence commercial production by 1992, according to a senior manager in the company's semiconductor research centre.

Lee Yoon Woo, senior executive manager and general manager of Samsung's semiconductor research and development centre, said yesterday that the company's progress in developing the new semiconductor meant it had caught up with industry leaders.

He said that prototypes of the 16 Mbyte D-Ram chip, which were completed last year, are being evaluated by US and European manufacturers of mainframe computers. Large volume production is scheduled for 1993.

According to Lee, the principal use of the chips will be in powerful personal computers. But they will also be used in the manufacture of high definition television systems currently being developed by a group of Korean research institutes and private companies, including Samsung.

Lee said that Samsung's high level of investment in semiconductor research and development means that it no longer requires foreign technology. This year, the company will spend about Won 15bn (£10.7m), or about 12 per cent of sales, on R&D.

However, Lee said that the company is considering collaborating with foreign partners to help share the costs of technological development of its semiconductor business. He said any partners would probably be from the US or Europe.

The company is also increasing its emphasis on marketing and the development of specialist semiconductors. It hopes to raise sales from the current level of about 10 per cent of total semiconductor sales to about 50 per cent.

In the current year, sales have suffered as a result of a slowing demand for semiconductors in the US and a fall in prices for 1 Mbit D-Ram chips.

John Ridding

A fight for the powers of the mind

Louise Kehoe examines the legal wrangles and patent disputes consuming Silicon Valley

The most lucrative monopoly in the history of the semiconductor industry is about to be challenged. This week Advanced Micro Devices will publicly demonstrate for the first time a "clone" of arch-rival Intel's top-selling 386 microprocessor, the chip that powers IBM-compatible personal computers.

AMD has plugged its "AM386" into Compaq personal computers, replacing the original Intel microprocessor chips. The company has invited sceptics to prove for themselves that computers with AMD chips are fully compatible by testing their own software program, designed to run on the Compaq.

This may be the beginning of the end of Intel's hold on the PC microprocessor business, but the fight is far from over. As a licensed "second source", AMD has been a major supplier of the earlier "286" microprocessor. But Intel refused to license AMD, or any other competitor, to make 386 chips. (IBM is licensed to produce the 386, but only for its own use.)

Cut from one of the most profitable segments of the semiconductor market, AMD has designed a chip that is functionally equivalent to the Intel 386. The company has been ready to unveil its 386 clone for several months and claims to have already provided samples to some 20 computer manufacturers. Official introduction of the chip has been delayed, however, by a series of related legal battles between the Silicon Valley semiconductor rivals.

On Friday, one of the barriers to AMD's introduction of its 386 clone was at least temporarily removed. A federal judge denied Intel's request for a preliminary injunction preventing AMD from using the widely recognised 386 designation for its product. He also lifted a temporary restraining order that had barred AMD from using the numbers.

"We have lost this skirmish, but not the war," Intel officials responded. The ruling means that Intel's trademark infringement suit against AMD, filed last month, will now go to trial. In the meantime, AMD can move ahead with marketing and sales plans for the 386-clone.

The name of the chip does not matter as much to AMD as to potential customers. Intel's trademark action is aimed at preventing PC manufacturers from including "386" in the titles of computers unless they incorporate the original Intel chip, AMD claims.

According to AMD, PC makers say that they must call their machines "386" to maintain customer confidence. More important for many potential computer buyers, however, is the prospect of lower prices. Intel's monopoly of the 386 market has led to shortages and allowed the company to maintain high prices, critics charge. Intel points out that it has lowered prices as it has introduced higher performance versions of the 386 over the past three years.

Personal computer makers may still be wary of the AMD 386 clone until other legal battles are resolved. AMD and Intel are fighting on two other fronts. Intel has challenged AMD's rights to use copyrighted Intel "microcode", the software that controls the microprocessor. Separately, the companies are locked in a product licensing dispute.

Eagle eye

Lately, much of Silicon Valley's news has emanated from the courthouse, rather than the product development laboratory. (Intel versus AMD; Apple Computer versus Hewlett-Packard and Microsoft; Texas Instruments versus Cypress Semiconductor, LSI Logic et al... in case after case, US electronics companies are after each other's necks.)

Behind this spate of legal wrangling is a widespread re-evaluation of intellectual property rights. Long regarded as the necessary but tedious "paperwork" that went along with the real business of inventing new technologies and innovative products, patents, copyrights and trademarks are increasingly seen by US electronics companies as competitive weapons.

For companies such as Intel, legal efforts to protect its latest chip designs have become a big focus of management attention. In its ongoing disputes with Advanced Micro Devices, Intel is spending millions of dollars to protect product manufacturing rights that just a few years ago it was eager to barter or license to others.

Apple Computer's copyright battle with Microsoft and Hewlett-Packard over the "look and feel" of the Macintosh personal computer user interface is another example of efforts to maintain a technology monopoly. Similarly, Lotus Development's recently resolved suits against producers of look-alike spreadsheet programs demonstrate the power of copyright protection.

Some fear that such actions deter innovation because they stymie the efforts of competitors to improve upon established technology. The counter argument, however, is that without protection for their inventions that ensures a payback for research and development spending, companies cannot afford to innovate.

To maintain intellectual property rights while allowing freedom of innovation, industry leaders have in the past widely licensed competitors to use patents and copyrights, generally seeking nominal royalties or cross-licensing one technology for another.

This is the equivalent legal of granting a right of way through private property. Now, however, several companies appear less willing to let their competitors take a short cut without paying a heavy toll.

Royalty payments extracted from competitors whose products use patented technologies have become a significant source of revenues for some established US semiconductor and computer companies. Texas Instruments, a big producer of semiconductor chips, has, for example, earned $650m in patent royalty payments over the past three years, more than its profits from chip sales over the same period.

IBM is re-emphasising the value of its patent portfolio as a bargaining tool. "The IBM patent portfolio gains us the freedom to do what we need to do through cross-licensing – it gives us access to the inventions of others that are key to rapid innovation," Roger Smith, IBM assistant general counsel for intellectual property, explained in a recent article directed at IBM researchers in the company's internal magazine, Think.

Last year IBM submitted more than 1,000 patent applications, but "that is not enough to keep pace with the industry," warns Jack Kuehler, IBM president. "We have to enrich this portfolio with the right patents at an ever-increasing pace, with the intent of using it to gain access to other patents," he urges.

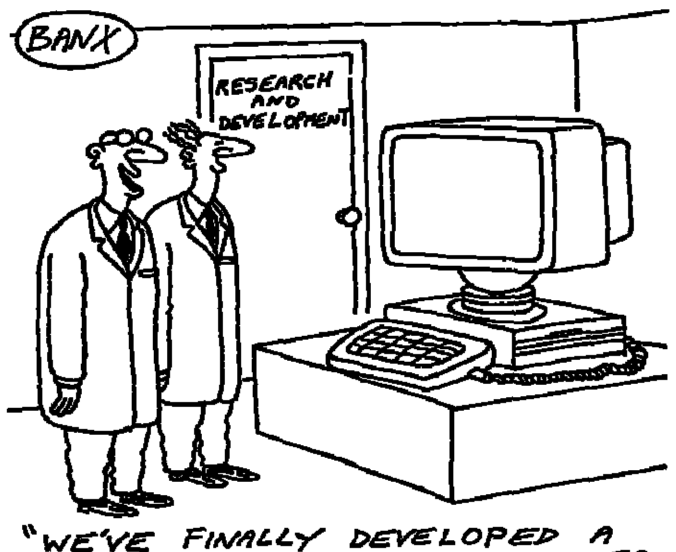
From IBM's perspective, intellectual property rights will ultimately be the key to international competitiveness, providing "the right to manufacture and market". Only companies that have access to patented technologies – their own or those of others – will be capable of competing in the second half of the decade, the company maintains.

Tens of thousands of computer executives and industry observers are flocking to Las Vegas this week to attend Comdex, the biggest trade show in the US. The event will mark the emergence of computers based upon Sun Microsystems' Sparc Risc architecture, running the Unix operating system, as serious competitors with standard IBM-compatible personal computers based upon Intel's microprocessors and running the Microsoft DOS or OS/2 operating systems.

Sparc and Unix have to date been used in workstations for applications such as computer-aided-design and financial modelling. But several of the Sparc "clones" expected from Asian and US manufacturers this week will to be priced to compete directly with personal computers.

This new generation of "Sun-compatibles" will include, for example, a battery-powered laptop Sparc computer built by TriGem of Korea. Other companies unveiling desktop Sparc computers will include CompuAdd, Hyundai, Mars Systems, Tatung, Toshiba and Solbourne.

With the advent of low-cost Sun-compatibles, computer history will repeat itself, Sparc advocates claim. Just as the IBM PC and its clones unleashed a multi-million dollar market in the early 1980s, so the Sun-compatibles could create a new market in the 1990s, they predict.



"WE'VE FINALLY DEVELOPED A COMPUTER WHICH CAN DEMAND ITS OWN INTELLECTUAL PROPERTY RIGHTS."

Coming to terms with 'old' age

By Alan Cane

The computer industry is fast differentiating into "old" and "new" sectors. Unisys, the troubled US manufacturer, looks like being the most spectacular, but by no means the only, casualty of this divide which is driving down profitability and increasing competition.

Groupe Bull of France, for example, is closing plants and shedding a further 15 per cent of its workforce to stem losses which it thinks will continue through 1991.

The "old" industry sector comprises the traditional leaders, the mainframe and minicomputer manufacturers, many now struggling against declining profitability and loss of market share. These include IBM, Digital Equipment, Unisys and NCR in the US and Olivetti, Groupe Bull and ICL in Europe. Members of this sector, but in a separate class, are the Japanese manufacturers Fujitsu, Hitachi and NEC.

On the other, there is an army of several thousand small, aggressive start-ups exploiting the latest personal computer technology to take leadership positions in niche markets. These "new" industry companies, like Sun Microsystems, Pyramid or Compaq of the US and Toshiba of Japan and Acer of Taiwan are taking market share from their larger competitors and threatening their survival.

Pyramid, for example, with sales of $179m is still small – but its revenues grew 93 per cent last year and its pre-tax profits by 110 per cent. By comparison, growth for the industry as a whole fell to an all-time low of 5 per cent.

Will there be a return to the heady days of the early 1980s? The experts are doubtful. According to McKinsey and Company, the management consultants: "While the outlook for fundamental demand remains strong, the ability of the world economy to continue absorbing rapidly increasing expenditures on computer technology is reaching a practical limit."

These conditions will favour the "new" industry – with greatly lower production and distribution costs – over the "old". Traditional computer companies will survive only if they can bring their costs into line with significantly lower profit expectations.

TECHNICALLY SPEAKING

Those that cannot sustain the role of comprehensive systems suppliers will have to seek niches either as suppliers of innovative technology or providers of special expertise. The new computer industry is characterised by "open" or "interoperable" systems built from standard components leading to tighter gross profit margins. Vittorio Cassoni, chief executive of Olivetti, says that gross margins have never been higher in the industry but now the profits have to be shared with so many suppliers of standard components.

The new industry also makes much greater use of third-party "channels" (retailers, dealers, distributors and software houses) to distribute their products cost-effectively to their customers.

A third element is the complex mesh of relationships which manufacturers now have to build with partners and competitors if they hope to have adequate technology for their own requirements and to satisfy their customers' needs.

These arrangements can take a variety of forms – marketing alliances, partnerships, technology agreements, equity involvement. They can be local or cross national boundaries. Peter Bonfield, chief executive of ICL, talks of "variable geometry" companies as the norm for the new computer industry.

The "old" industry is having to come to terms, painfully and for some of them, terminally, with these new conditions for survival. McKinsey believes that half of the companies now considered industry leaders will not exist in their present form by 2000. Unisys and Bull may confirm its prediction.

ARTS

Van Gogh and others

William Packer at the Burrell Collection

Last July we celebrated, if celebrate is the word we want, the centenary of the suicide of Vincent van Gogh, alone and desolate in the fields at Auvers-sur-Oise, just north of Paris. He was 37 years old. Through the spring and summer, the anniversary was marked by two magnificent complementary exhibitions in his native Holland, with a full retrospective of his paintings at the Van Gogh Museum in Amsterdam and of the drawings at the Kroller-Muller at Otterlo. But for all his connections with London, where he had worked in the art trade in the few years before ever he embarked upon that brief and spectacular career as an artist, it had passed off largely unremarked in Britain.

The deficiency, happily, is now repaired by *The Age of Van Gogh*, which opened last weekend at the Burrell Collection in Glasgow (until February 10, then to Amsterdam: sponsored by Whyte & Mackay Distillers). But this is not simply another Van Gogh study or retrospective: rather it fills the more useful role of placing him within the working context that he himself had always readily acknowledged. Something of this was done to great effect by the Musée d'Orsay which, in 1988 with *Van Gogh à Paris*, set his work after his move to Pars in 1886, with its lightening tone and clearer colour, directly against exciting generality of impressionism current in Paris at the time. No artist is ever entirely alone in his creativity, and it was salutary to be shown in particular the immediately contemporary work of Monet and Pissarro just when Van Gogh was bracing himself to his full commitment as a painter.

But that d'Orsay show was by its very definition Paris-centred, and it would be mistaken to imagine that in his newer enthusiasm, Van Gogh was in any sense denying what he already was and had achieved. As is true of any great artist, it is the peculiar combination of circumstance and influences that makes Van Gogh the unique creative force he was.

Thus it is that Dutch painting of the period 1880 to 1895, that provides the substance of *The Age of Van Gogh*. Within it Van Gogh has his clear and rightful place, but it is not the point that he should dominate. And where he moves back a little, so his native contemporaries come forward, and how good the best of them are.

Another major recent exhibition, of the work of the Hague School of painters of the later 19th century, should have alerted us to their quality, but with so local an emphasis, a certain sense of provinciality seemed inescapable. But the world moves on and suddenly all roads no longer seem to lead to Paris. What we begin to recognise, through just such shows as this, is that not just in Holland, but in England, Scotland, Germany and Scandinavia, in Canada and the America too, artists were nodding respectfully enough to Paris but then happily following their own distinctive paths.

Van Gogh chose the south, and the intensity of colour and clarity of light that it affords. But to look here, even at his earlier works, at the squat tower in the churchyard at Nuenen of 1885, the year before he left for Paris, is to realise the direct link with Mondrian, twenty years on. And to see the dark, late impressionism of George Breitner and Isaac Israels, insensibly moving towards expressionism through the early 1890s, is to recognise a shift that was quite independent of Parisian example. If comparison is to be drawn it can only be with such artists as Whistler, Sickert or Wilson Steer, perhaps, or Bergh and Kroyer, Guthrie and Clausen, Zorn and Sargent and so many more, who all went to Paris, saw the work of Degas and Lautrec and the rest, even made friends with them, only to come away.

The principal difference, which Israels and Breitner exemplify, is that the northern character is tonal rather than colourful, dark, intense, broodingly atmospheric. And there would be nothing like it in Paris until the arrival of Picasso in the last year of the century. Israels and Sickert seem especially close, or at least mutually relevant, and the great exhibition now waiting to be done might well be of the tonal impressionism of this period, exclusive of anything French.

Van Gogh's Self-Portrait with Grey Felt Hat, 1887

Breitner is simply an outstanding artist, far too little known outside Holland and then only by one or two more familiar images, of the bridges and quaysides of Amsterdam. His figure painting here is a revelation, free and strong in its realisation and quite the equal of anything in its period. The large, unfinished composition, of shadowy figures moving across the Dam Square at nightfall, though scarcely more than the briefest proposal, is both more vigorous and as impressive as any single work on show, with or without Van Gogh. Jacobus van Looy, with a large painting of a woman in a garden, Marius Bauer, Suze Robertson and Willem Tholen are all remarkable, whose work I had not come upon before.

London weekend concerts

It was always obvious that Vladimir Ashkenazy the conductor would be at his best in those areas of the repertory in which Ashkenazy the pianist excelled and that the late-romantic repertory was likely to become his mainstay on the rostrum. Nothing has happened to unsettle that presumption, although his range within those parameters grows ever wider. His latest pair of concerts at the Royal Festival Hall with the Royal Philharmonic Orchestra continued that expansion, more comfortably on Thursday in Berg's *Three Orchestral Pieces* and Violin Concerto – with the promising Kurt Nikkanen as soloist – than in Debussy's *La Mer* and Skryabin's *Poem of Ecstasy*.

At his most effective Ashkenazy can communicate to orchestras the kind of spark that ignited the best of his solo performances. But when that fails, the results are rather routine and unexceptional, even in works such as the *Poem*, by a composer for whom as a pianist he has shown more respect and commitment than any other interpreter since Horovitz.

Yet Ashkenazy does show a commendable willingness to explore: he took Knussen's Third Symphony on his return with the RPO to the Soviet Union last year, and on Sunday entered what was surely more new territory with Walton's First Symphony. The problem in this performance was that it sounded to be new territory for the orchestra as well, which seemed cautious and uneasy – the opening rhythm was positively arthritic and there was never the sharp edge to the sound that the symphony needs.

Comparisons with Rattle's account with the CBSO in the Barbican last month are inevitable; the RPO's playing did not approach the Birmingham standard of accuracy and attack yet, paradoxically, Ashkenazy's much generalised shaping gave more sense of a symphonic argument, a better placed climax in first and slow movements, more spite to the scherzo. No one could claim it as a fully rounded interpretation, and in such works Ashkenazy appears to be navigating by instinct, sensing the weight of each paragraph and relying upon his players to get the rest right. That does not always work; at the moment everything seems just short of realisation.

For Brahms's Second Piano Concerto Ashkenazy was joined by Daniel Barenboim in what appeared to be a thoroughly truculent mood. The first movement was astonishingly aggressive; the scherzo was driven with scarcely a pause for breath. Barenboim began to relax thereafter, sometimes laying on *espressivo* in an almost self-conscious way, but never giving a sense of scope or breadth. The orchestral accompaniment was thoroughly routine, and it was hard not to imagine roles reversed with Barenboim galvanising the orchestra and while Ashkenazy found many more layers of poetry in the solo part.

Andrew Clements

What Kent Nagano and the London Symphony Orchestra chose to do on Sunday at the Barbican Hall, with sponsorship by the Sema Group, was what our chief orchestras should do far more often: take advantage of having a sell-out soloist in a familiar work to be adventurous with the rest of the programme. With Itzhak Perlman to play the Brahms Violin Concerto, Nagano could confidently try on the Second Symphony of Henri Dutilleux, as well as Stravinsky's chamber-concerto "Dumbarton Oaks". Nobody seemed to repine; in fact the Dutilleux seemed to hold the audience's approving interest throughout.

He composed it when he was 43, more than thirty years ago. Though there were more striking pieces to come later the Symphony represents his original sensibility and refined economy quite precisely. He subtitled it "Le Double", because it sets an inner ensemble of a dozen orchestra-principals in continual dialogue with the large band around it, concerto-grosso style – hence Nagano's ingenuity in putting "Dumbarton Oaks" first, to adjust our ears to the right chamber-focus.

The dialogue between Dutilleux's unequal groups takes many forms – developing material between themselves, or in confrontation, or in polyrhythmic counterpoint; and the music always makes beautiful sounds in eerie depth, not through cosmetic instrumentation but because all its elements are imagined from the start with their specific colours and weights. The first movement wears an exotic *misterioso* pungency, secured with extreme parsimony. The second is a sober, candid threnody which exploits his individual post-tonal harmony. If the finale sounded more hand-me-down tonal and "safe", though friendly, that was not the fault of Nagano or his players, who gave scrupulous value to everything in the score.

In the Stravinsky, the violins seemed to lack a firm, unanimous bite, so despite crisp wind-playing "Dumbarton Oaks" was transmitted with rather a soft edge. In support of Perlman's Brahms, however, the LSO strings poured out unstinting tone: enough to swamp some soloists, but not Perlman. The seasoned warmth and breadth of his reading and his marvellous technical security made it rewarding, even if it missed the ultimate degree of concentration. How often he must have played this concerto, with different orchestras in different towns! Nagano strove hard to illuminate the Adagio by freshly studied orchestral touches, less serene and easy than Perlman's lyrical directness.

David Murray

Birmingham Royal Ballet

BIRMINGHAM HIPPODROME

The Birmingham Royal Ballet has acquired two ballets from the 1970s that still in 1990 look unconventional. These are Kenneth MacMillan's *La Fin du Jour*, made for London's Royal Ballet in 1979, and Balanchine's 1972 *Symphony in Three Movements*; I was thrilled to see both again. Neither is a safe guarantee of audience popularity – for that, the evening ends with MacMillan's 1974 Scott Joplin ballet *Elite Syncopations* – but each work shows absorbingly how ballet can construct a poetic world in response to great music.

The musical gains for the company are obvious. *Symphony in Three Movements*, which was created as part of New York City Ballet's 1972 Stravinsky Festival, is to the eponymous Stravinsky score. *La Fin du Jour* is to Ravel's piano concerto in G major.

To this score, MacMillan dreamt up a 1930s ballet in which machines, fashion, sport and smart society overlap in marvellously peculiar ways. It is not hard to recognise some of its choreographic figures as MacMillan's but as a whole *La Fin du Jour* has a poetic ambiguity, a self-sufficient oddity that make it very unlike most works he has made. The corps de ballet are the ordinary doll-like creatures who follow fashion; but the leading four dancers are fashion's icons.

In the second movement, the two ballerinas wear goggles and hold one still position after another as they are shunted around or lifted high by men: they're drivers, aviators, aeroplanes. This is poetry enough but what makes the scene haunting is how other men on stage are caught meanwhile in gestures of fishing or golfing. A timeless afternoon in an era gone by; privileged leisure with all its stillness. Then, in the final movement, the frenzied energies of the absurd social whirl.

Ian Spurling's costumes and decor, with the wings designed as huge faces, still make a splendid contribution. (But in the last movement we should see a glimpse of green garden at the back right until the lead ballerina ends everything by closing a door.) Friday's performance was successful, Marion Tait, Miyako Yoshida, Kevin O'Hare and Mark Silver leading the cast. Tait has a fine record as a MacMillan dancer but her pointed facial expressions keep cueing the audience how to react – this bad habit pervades this company – and spoils the ballet's ambiguity. Yoshida misses the sweeping luxury in the legwork of her role; all her technique does not stop her from being a dull dancer.

Likewise *Symphony in Three Movements* works best at corps level. Of the six principals, Ravenna Tucker has some grasp of Balanchinean impetus and Karen Donovan brings the dynamics of one solo vividly alive. The dancers of the central pas de deux, Mireille Bourgeois and Joseph Cipolla, under-dance and over-act. Stravinsky's 1946 score was, in part at least, about the war in the Pacific and Balanchine's ballet, in acute response, suggests marshalled forces, jazz contrasted with japonaiserie, brilliant formations in motion, American exuberance and oriental inscrutability, military exercises and explosive tension. Perhaps no ballet seems so powerfully to dramatise the vastness of space.

Richard Tanner staged this great work for the Birmingham company. It makes an excellent contrast to the more traditional classicism of the other Balanchine ballets this company has recently acquired and the dancers do it more justice than they used to do to *The Four Temperaments*, the Balanchine ballet which, of those known here, most nearly resembles it.

Balanchine's American classicism has become the great mainstream of ballet classicism in our time and, despite its strangeness to British sensibilities and aesthetics, it is exciting to find the Birmingham Royal Ballet working hard to absorb it.

Alastair Macaulay

Docklands Jazz Festival

After a packed festival season full of quality programming *Jazz Lunarcy* (sic), as the Docklands event was inexplicably called, had its work cut out to produce something different. This is succeeded in doing by mixing the most contemporary sounds (Steve Coleman) with those of establishment arrangers (Kenny Wheeler and Mike Westbrook).

Canadian Kenny Wheeler was wrapped in woollies for the chilly Half Moon Theatre in Stepney and, as usual, full of trepidation. After touring this relaxed 19-piece orchestra for the best part of the summer, Wheeler himself still looks like someone on the brink. Chatting to the audience is clearly an ordeal and he has continual problems with his music stand and sheets, which come apart in his hands. I don't know why; his heavyweight orchestra includes some of the country's best players. The tough 13-piece brass section features Evan Parker and Julian Arguelles on saxophones; its superior rhythm section includes ECM stablemate Dave Holland on upright bass and Dave Marshall (drums). John Taylor (piano) and Norma Winstone singing a cool top line, complete the line-up.

Wheeler's own playing, on flugelhorn, featured in his nameless seven-part suite, is as smooth and warm as you could wish for. The arrangements are first class and give each of the orchestra generous solo openings before sliding on to another movement. Into the second set with just the trio, Holland, Taylor and Marshall cruising through Cole Porter's *Everything I Love* Wheeler sounded initially less comfortable with the trumpet but soon gathered momentum as he took over from Taylor's impressive piano work. But with the full involvement of the brass and horns Wheeler's real skill as a composer and arranger shows. It is about time someone gave him a film score to get his teeth into.

Altoist Steve Coleman, already has film scores to his credit and a highly acclaimed new album *Rhythm People (The Resurrection of Creative Black Civilisation)*. His cited influences, from Charlie Parker to James Brown, came over (very) loud and clear at the Hackney Empire last week. The 34 year old New Yorker has an attacking stule with the alto, set against a fierce rhythm barrage of electric bass (Reggie Washington), guitar, (David Gilmore) and torrential drumming (Tommy Campbell). Keyboards (James Weidman) add to the density.

He apparently cut his teeth laying in house and funk bands and the only words uttered during a long and wearing set were those of rap. Coleman offered little respite, save a gentle *Round Midnight* early on. His music keeps coming at you and if shape and form is what you like then you might have been disappointed. On the other hand, if hard and driving is what you want, then Steve Coleman's *Five Elements* fit the bill. Definitely a Bird for the 90s.

The UK première of Mike Westbrook's *London Bridge is Broken Down*, presented just down the road at Hawksmoor's beautiful St Anne's church in Limehouse, was a different sort of evening altogether. A composition for voice, jazz and chamber orchestra, Westbrook's five movements create a great, noiseful churning of strings, horns and the bleak words of Goethe and Sassoon.

The grotesque burlesque of parts like Picardy and The Dead came courtesy of Kate Westbrook, resplendent in red dress and black gloves, who was responsible for selecting and writing the texts. She croaked and sung falsetto alternately; appeared pained, puzzled and pleased in turn her discordant declamation working up a luxurious Berlin cabaret atmosphere.

But it was not all *sturm und drang*. Westbrook's lush arrangements for the young Docklands Sinfonietta interspersed with wistful solos from saxophones, trombone and muted trumpet, filled the church to great melodramatic effect and conductor Rupert Bond relished the job.

Garry Booth

Mitsuko Uchida

BARBICAN HALL

With a complete cycle of the Mozart piano concertos behind them, Mitsuko Uchida and Jeffrey Tate, together with the English Chamber Orchestra, are moving on to the Beethoven concertos. A series of five concerts, on tour from London to Paris, Amsterdam and Tokyo, will present the concertos in sequence – an enterprise which deserves real success, if the middle concert at the Barbican Hall on Saturday is anything to go by.

In Beethoven the strengths of the conductor are basically well deployed. His performance of the First Symphony, decently played by the ECO, was Tate as we know him well, sober and sensible, without any untoward eccentricities, but not much fun either. The symphony should have a sharper twinkle in the eye than it did here. But if that aspect of Tate's conducting worries Uchida at all, it certainly did not show on this occasion.

According to plan, the central work on the programme was Beethoven's Third Piano Concerto. Through the orchestral introduction Miss Uchida sat looking fairly sober herself. Then, seconds before her solo entry, she cast her jacket flamboyantly to the floor to reveal a sparkling, sequined under-garment and the performance, likewise, revealed its true colours: fiery at first, then immediately gentle, quick to explore every contrast.

If a pianist treats this concerto as an exercise in form, it can easily become sterile. But in Uchida's playing there was never any danger of that. The approach to the first movement cadenza worked up a fine head of steam (the cadenza itself made a brilliantly-executed climax). The slow movement sang exquisitely; the finale combined drive and poetry. In short, everything was combined drive and poetry; everything was alive and Tate, too, seemed to find his pianist's energy contagious.

As a curtain-raiser to the concerto each programme has scheduled a piece by Henze. In this case it was the Wind Quintet, which finds Henze the craftsman, rather than the inspirational composer, taking a rather undistinguished theme and treating it to a series of increasingly appealing variations. The wind principals of the ECO kept the music alive, but the whole flavour of the piece seemed out of place. A strange choice.

Richard Fairman

ARTS GUIDE

November 9-15

London

Royal Opera, Covent Garden: further performances of the *Barbiere di Siviglia* revival, conducted by Gabriele Ferro, with the first of two interesting casts: Agnes Baltsa, Raul Gimenez, Jeffrey Black, Gabriel Bacquier and Ruggero Raimondi.
English National Opera, Coliseum: a new and unusual double bill, Delius's *Fennimore and Gerda*, Puccini's *Gianni Schicchi*, has its first showing, conducted by Charles Mackerras, produced by Julia Hollander, with casts including Sally Burgess, Peter Coleman-Wright, Benjamin Luxon, and David Maxwell-Anderson.
Man of the Moment (Globe). Nigel Planer and Gareth Hunt in another Alan Ayckbourn play, this time about media manipulation (437 3667)

Paris

Opéra, Palais Garnier. Verdi's *Otello* conducted by Myung-Whun Chung with Placido Domingo in the title role for the first five performances and with Renato Bruson as Iago and Kallen Esperian as Desdemona (40011616).
Grande Halle de la Villette. *L'histoire de Manon* to Massenet's music rearranged by Leighton Lucas in Kenneth Macmillan's choreography with Nicholas Georgiadis decor and costumes. Conducted by Barry Wordsworth (47425750).

Brussels

Théâtre royal de la Monnaie. The Monnaie Opera in Hans Zender's *Stephen Climax*, Sylvain Cambreling conductor, director Peter Mussbach, sets by Paul Lerchbaumer.

Amsterdam

Nederlands Danstheater in *L'Enfant et les Sortilèges* (Ravel/Kylian), *Evening Songs* (Dvorak/Kylian), and a new ballet by Hans van Manen.
Netherlands Opera with the premiere of Glen Wilson's new production of *Il ritorno d'Ulisse in patria* by Monteverdi, directed by Pierre Audi. Glen Wilson conducts a baroque ensemble playing authentic instruments, with Anthony Rolfe Johnson as Ulysses and Graciela Araya as Penelope. Elisa Monte Dance Collection with the world premiere of *The World Upside Down*, *Turtles Eat Bones*, and *Dextra Dei*. Muziektheater (Wed) (255 455).

The Hague

Nederlands Danstheater with *La Cathédrale engloutie* (Kylian/Debussy) and the world premieres of the new ballets by Philip Taylor and Jean-Christophe Maillot. AT&T Danstheater (Thur) (360 4930).

Rome

Teatro Brancaccio. The Teatro Dell'Opera ballet now directed by ballerina Elisabetta Terabust, opens its autumn season with a ballet tryptich: Amedeo Amodio's *Ricercare a Nove Movimenti*, to Vivaldi's music; Ben Stevenson's *Three Preludes*, to rachmaninov; and *Graduation Ball* by David Lichine to music by Johann Strauss. Alberto Ventura conducts the Teatro Dell'Opera orchestra (732304).

Venice

Teatro La Fenice. Breaking the habit of opening with a popular 19th century opera, the Fenice starts its autumn season with Alban Berg's *Lulu*, last performed here in 1949. The new production is by Giorgio Marini, with sets and costumes by Lauro Crisman (5210161).

Berlin

Tosca stars Mara Zampieri in the title role. *Rigoletto* in Hans Neuenfels' production features Gwendolyn Bradley, John Sandor, Ingvar Wixell and Rolf Kuehne. A Carlo Bergonzi recital with pianist Robert Morrison with songs by Verdi, Bellini, Donaudy, Tirindelli, Caccini Donizetti and Cilea. *Der Troubadour* has fine interpretations by Linda Plech, Kaja Borris, Camille Capasso, George Fortune, conducted by Stefan Soltesz.

Hamburg

Romeo et Juliet has John Neumeier choreography. *Tannhäuser* has a first-rate cast led by Linda Plech, Livia Budai, Kurt Moll and Guenter Neumann in in the title role. Another John Neumeier ballet is danced to music by Gustav Mahler.

Cologne

Götterdämmerung and *Das Rheingold* are both part of the new Ring cycle in a co-production with Düsseldorf opera, produced by Kurt Horres and conducted by Hans Wallat. The cast includes renowned Wagner singers William Johns (Siegfried), Deborah Polaski (Brünnhilde), Waltraud Meier (Waltraude), Hart Welker (Alberich), Matti Salminen (Hagen), Robert Hale (Wotan), Shirly Close (Fricka), Nadine Secunde (Freia) and Anne Gjevang (Erda).

Frankfurt

Ileana Cotrubas, who is retiring from the stage, gives her farewell performance in the title role in *La Bohème*. *Limb's Theorem*, by William Forsythe returns.

Bonn

This week includes *Coppelia am Montmartre* and *Spartakus*, both choreographed by Bonn's ballet director Youris Vamos. Camille Saint-Saens' rarely played *Samson and Dalila* will be offered twice in a concert version starring Lucia Valentini-Terrani and Michael Sylvester in the title roles.

Munich

Nabucco stars Julia Varady, Daphne Evangelatos, and Wolfgang Brendel. *Un Ballo in Maschera* is sung by Giacomo Aragall, Sharon Sweet and Marjana Lipovsek. *Palestrina* features Marilyn Schmiege, Georgina von Benza, Peter Schrier, Bernard Weikl and John Broecheler. *Die ägyptische Helena*, conducted by Carlos Kleiber has Gwyneth Jones, Frances Lucey, Inga Nielsen, Wolfgang Neumann and Hans Guster Noecker in the leading parts.

New York

Metropolitan Opera. James Conlon conducts the season premiere of *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. James Levine conducts Arvin Brown's production of *Porgy and Bess* with Priscilla Baskerville, Marvis Martin and Terry Cook. James Levine also conducts Piero Faggioni's production of *Un Ballo in Maschera* with Aprile Millo, Lucien Pavarotti and Juan Pons. (362 6000).
New York City Opera. The season concludes with the Glyndebourne production of Ravel's double bill, *L'Enfant et Les Sortileges* and *L'Heure Espagnole*, with Maurice Sendek's sets featuring Robin Tabachnik, Kathryn Gamberoni and Rees Davis, conducted by Sergiu Comissiona.
New York State Theatre, Lincoln Center (870 5570).
Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Washington

Washington Opera. The company's 35th season continues with Maria Ewing in the title role of *Salome*, in Sir Peter Hall's production conducted by Gerald Schwarz. Yoko Watanabe is Mimi and Antonio Ordonez is Rodolfo in Gian Carlo Menotti's production of *La Bohème* conducted by Vjekoslav Sutej. Opera House, Kennedy Center (416 7800).

Chicago

Lyric Opera. Donato Renzetti conducts Andrei Serban's new production of *Lucia di Lammermoor* with June Anderson as Lucia and Alfredo Kraus as Sir Edgar. Frank Galati directs Argento's *The Voyage of Edgar Allan Poe*, with libretto by Charles Nolte. Christopher Keene conducts Donald Kaasch as Poe, Winifred Faix Brown as his wife and Richard Stilwell as Poe's nemesis Griswold. Civic Opera House (332 2244).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-taking ceremony for the actor Senjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. Earphone guide in English and English-language programme (541 3131).
Tokyo International Theatre Festival: Features groups from South Korea, the Netherlands, India, Malaysia, France and Italy, as well as Japan. Most performances are at the new Tokyo Art Theatre, an impressive concert hall-theatre-gallery complex in Ikebukuro. (590 1091).

SALEROOM

Testing times ahead

This week is the Big One, the week which will decide whether the art market has been badly holed by fears of recession and war, with the turnover and profits of Sotheby's and Christie's the main casualties. Last week's major contemporary art auctions in New York were pretty disastrous, at least for Sotheby's, but this was always seen as a speculative sector. This week the auctions in New York, Geneva, Hong Kong, Amsterdam and London offer real treasures.

Christie's received encouragement over the weekend from sales in New York and Geneva. In New York on Friday it disposed of the Chevalier collection of English 20th century book bindings for $1.2m (£605,000) with 99 per cent sold, and a record price for a jewelled binding of £83,756 paid by the London dealer E. Joseph. There are 1,027 jewels in the binding by Sangorski & Sutcliffe of "Some Poems" by John Keats.

Then on Sunday in Geneva 20th century decorative arts brought in SFrs 9m (£3.69m). The sale was 30 per cent unsold but sentiment was greatly encouraged by four major auction record prices – for works by Gallé, Lalique, Argy-Rousseau, and a "Wassily" chair by Breuer.

"La Fofet Javanaise", an extremely rare jug by Gallé with an applied stag beetle, went to Zehil, the Los Angeles dealer, for £651,020, twice the estimate; a fountain over two metres high by Lalique, designed in 1926 for the Galerie des Champs-Elysées in Paris, went five times above forecast at £538,775 to the New York dealer David Weinstein; an Argy-Rousseau pate-de-verre cylindrical vase decorated with an Egyptian maiden, also beat its estimate five times at £107,755; and an early, 1920's, version of Breuer's chair made £62,857.

Sotheby's was also busy in Geneva over the weekend serving a similar market, and offering an important collection of Venetian glass of the period 1910-1960. In contrast to Christie's success with French glass of the early decades of the century there was little interest in Venetian glass of the period and the keenest bidding was for post-1950 examples.

The auction totalled SFrs1.1m (£450,000), with a hefty 41 per cent unsold. A Swiss dealer paid £20,569, on target, for a large Murano vase of around 1920, 43 cm high, one of only ten known. A 1928 Murano vase shaped like an egg; a Venini model of a plant of around 1930; and a Venini figure of a woman of the early 1950s, each made £17,886.

Antony Thorncroft

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Tuesday November 13 1990

The case for a third choice

LEAVING aside the interests of the Conservative party, it is in the national interest that a leadership contest be held now. The principal reason is that Britain is at a crossroads in its relationship with the European Community. The inter-governmental conferences that open in December will constitute an historic challenge to the government's thinking on Britain's future within the EC. The governing party should be united on this issue. It is not. The current weakness of sterling reflects this uncertainty.

There are differences of substance between Mrs Thatcher and at least some of her potential challengers, and it is right that these differences should be put to the test, leading either to the confirmation of the prime minister in her post or to the election of a successor.

The prime minister's inclination is that a firm line should be drawn under existing Community agreements. She is opposed to the establishment of an independent European central bank and recoils from a single currency. Mr Michael Heseltine is not a federalist, but he would accept a strong package on economic, monetary and political union. Sir Geoffrey Howe is more cautious, but of the same persuasion. Among Mrs Thatcher's immediate colleagues the foreign secretary, Mr Douglas Hurd, and to a lesser extent the chancellor of the exchequer, Mr John Major, would allow events to propel them towards a similar package.

Strong influence

Only two of these potential new leaders could challenge the prime minister on a first ballot, since only they are outside the cabinet. If neither does, there is little more to be said. We will know Sir Geoffrey's intentions when he gives the reasons for his recent resignation in the Commons today. Unless there is a last-minute upsurge of support for him he is unlikely to stand. Yet what he says will be important, since the degree to which he criticises Mrs Thatcher's stance on Europe will have a strong influence on the outcome of any contest. His remarks may also help Mr Heseltine to make his mind up.

If there were to be a bid by either or both of these ex-ministers the 372 Conservative MPs who constitute the electorate would have to decide whether their interests would be best served by a continuation in office of the present prime minister, or whether a new face would give them a better chance. The matter might turn on the voting system, in which abstentions could be decisive. To win on the first ballot a candidate must achieve both an overall majority and a 56-vote lead over the runner-up. Mrs Thatcher might not command sufficient support to clear both hurdles. In that instance Mr Hurd might be called upon to take part in the second ballot, but if Mrs Thatcher remained a contender he could not oppose his own prime minister and remain her foreign secretary. Unlike her, he would have to resign to enter the lists.

Changing situation

The situation is changing so rapidly that it is quite possible that Mr Hurd might well find himself faced with precisely that difficult choice. If he is, he should take the plunge. Mrs Thatcher has not so far shown the slightest sign of any belief that she ought to step down voluntarily, although if she did many backbenchers would be grateful for the avoidance of what could be a painful struggle. If, therefore, the first ballot indicated a strong anti-Thatcher current and if Sir Geoffrey declines to stand, Mr Hurd might become the only credible alternative to Mr Heseltine.

It is still just possible that there will be no contest or that, if there is, Mrs Thatcher will see off her challengers in the first or second ballot. This would not be a disastrous outcome for the party or for the country. But if a contest does take place it is important that Tory MPs are not faced with a situation in which the only alternative to Mrs Thatcher is Mr Heseltine. For all his energy and his attractiveness as a vote-winner, there are serious doubts about whether Mr Heseltine would bring the necessary steadiness, consistency and clarity of purpose to build on the achievements of the last decade.

North Sea indictment

LORD Cullen was right to place the management of safety at the heart of his exhaustive report into the Piper Alpha tragedy. By concentrating principally on management systems, including the proper division of labour between regulator and operator, he has produced a report of relevance far beyond the oil industry.

He is at his most authoritative when condemning the general approach so far adopted to safety offshore; he is at his most innovative when proposing a sweeping overhaul of the entire offshore safety regime.

Senior managers at Occidental, Piper Alpha's operator, are fiercely criticised, not least for failing to learn the lessons of previous incidents on Piper Alpha. "Platform personnel and management were not prepared for a major emergency as they should have been," concludes Lord Cullen, who also accuses them of superficial attitudes to safety.

Equally devastating are the judge's comments on the Department of Energy's inspectorate, which is responsible for enforcing safety regulations offshore. A departmental investigation of Piper Alpha a month before the disaster is dismissed as "superficial to the point of being of little use as a test of safety on the platform."

Yet the report does more than pin blame on individuals and organisations. It also identifies the wrong-headed approach underpinning the entire management of safety offshore, for which the Energy Department as the regulator bears prime responsibility.

Prescriptive regulations

Lord Cullen found that the department has tended to lay down minutely prescriptive regulations governing offshore safety. These have been impossible to monitor properly, given the inadequate numbers of fully trained inspectors employed by the department; they have deflected the inspectors from concentrating on the broad issue of how well each operator manages safety; and they have inhibited operators from trying innovatory means of delivering safety objectives.

In their place, Lord Cullen proposes that all North Sea operators should in future be required to produce a "formal safety assessment" which would act as each platform's safety case to the regulator. Regulations would specify some of the items which the safety case must cover. But the onus would fall firmly on the operators to set out safety objectives and performance standards, and to detail the way both should be monitored.

Regular audits

Operators would be expected to carry out regular audits to ensure that the safety case is being adhered to. For its part, the regulator would carry out regular inspections and its own selective audits of safety management on platforms.

This objective-setting approach to regulation lies at the heart of the new UK anti-pollution regime which is on the point of being introduced. It also represents the approach to safety management which is now being becoming commonplace in the great majority of industries regulated by the Health and Safety Executive.

Moving the offshore industry into the safety mainstream is the real significance of Lord Cullen's welcome recommendation to transfer regulatory responsibility from the Energy Department to the Executive. Ending a possible conflict of interest with the department's other role of promoting offshore production is, by contrast, a secondary benefit.

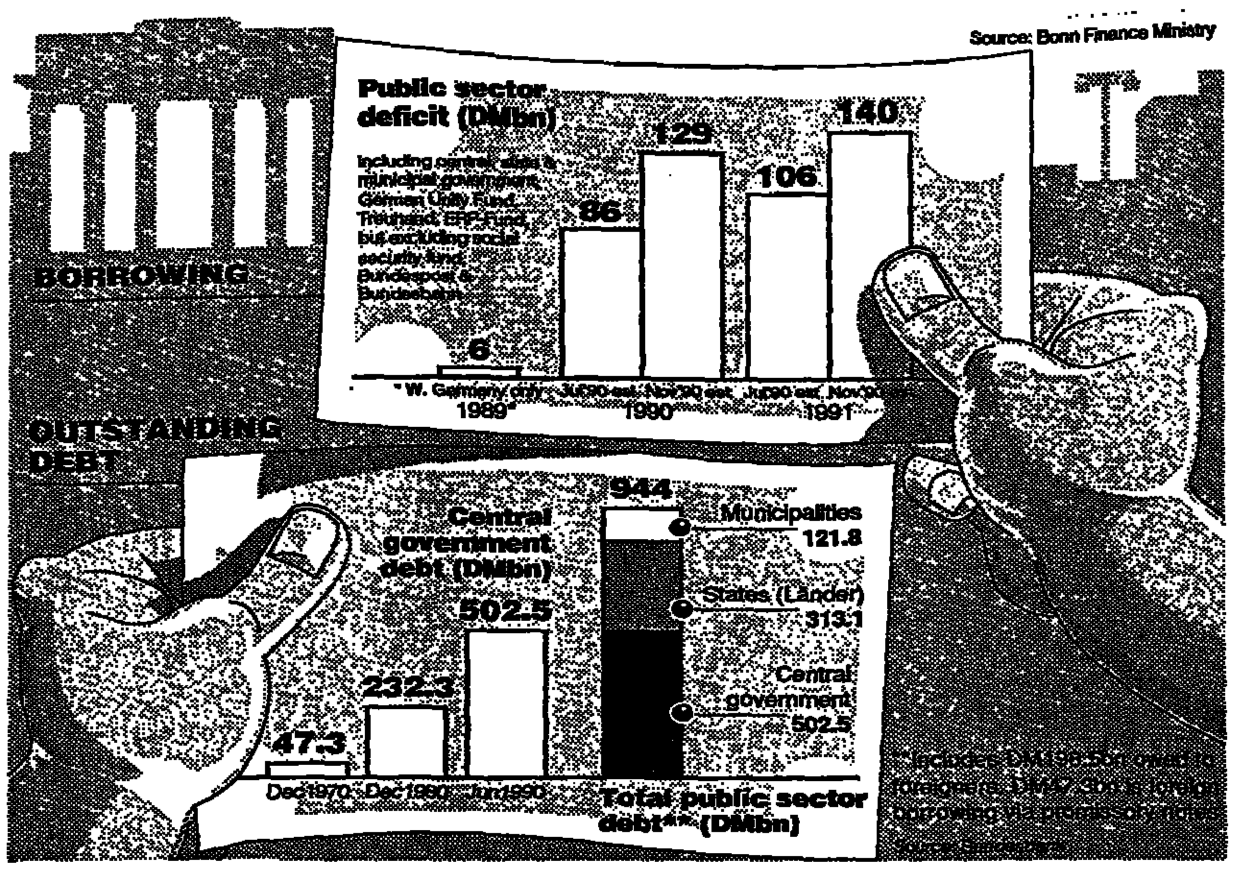
One of the reports few omissions is its failure to address the issue of liability for compensation after such accidents. This was raised in particularly acute form in the case of Piper Alpha, because Occidental is based in the US, where much higher compensation payments are normal.

But perhaps the most surprising gap is Lord Cullen's failure to make a sufficiently explicit and forceful recommendation on the staffing of the safety executive's new offshore division. There were 50 per cent fewer offshore inspectors than required at the time of the Piper Alpha disaster, and not much has improved since then. The sophisticated, objective-setting safety regime which the report rightly recommends must be backed by an adequate team of well-trained inspectors.

"No tax increase would be big enough to fund German unity" – senior member of Bundesbank.

Germany is set to become an active borrower on the capital markets in its search for funds to pump eastwards, writes **David Marsh**

The costs of unity keep on mounting



In a newspaper interview last Christmas, Mr Theo Waigel, the German finance minister, somewhat rashly compared West German help for East Germany with an African boy carrying his small, sick brother on a mountainside. "He ain't heavy, he's my brother. A bit of this attitude is necessary today to solve the German problems," said the unashamedly populist Mr Waigel, who doubles as leader of the Bavarian Christian Social Union (CSU), Chancellor Helmut Kohl's Bonn coalition partner. Six weeks after unity on October 3, the little brother is looking sicker than ever – and is getting steadily heavier.

Because of the pivotal international role of the D-Mark, the steadily mounting cost of German unity is a matter of concern not just for the west Germans, but also for their neighbours. Germany is likely to become an active borrower on international capital markets during the next few years in spite of the country's continuing (though sharply declining) current account surplus.

Economic reconstruction east of the Elbe will eventually provide benefits for the whole of Europe. But in the meantime, Germany's search for funds to pump eastwards will be an important factor keeping international interest rates high – just at the time when the US, Britain and France badly want to ease credit to counter signs of recession.

The German interest rate squeeze almost certainly portends strains in the European Monetary System. A period of severe tension in the EMS, after nearly four years of exceptional stability, could deal a severe blow to hopes of moving to full European Monetary Union later in the decade.

The statutorily-independent Bundesbank has made no secret of its opposition to the watering down of its powers which would result from speedy Emu. It has also been voicing alarm about rising unity costs. Mr Karl Otto Pöhl, its president, warned in February that the government's decision to press for speedy monetary union with the east (which came into effect on July 1) would require "enormous transfer payments" to east Germany. The German central bank sees only too clearly how Germany's domestic monetary pressures could complicate forthcoming government negotiations on Emu.

One very senior Bundesbanker pondered aloud recently: "What will happen if we have a crisis in the EMS?.. I am very, very worried about the big increase in public sector borrowing. What will happen if we use our independence, as long as we have it – and try to tighten policy?"

Signs of conflict over Bonn's financial strategies have multiplied in the past few months, inflamed in the political hot-house during the campaign for the general election on December 2. Mr Waigel, in the job since April 1989, is a wise-cracking farmer's son from Bavarian Swabia, with a studiedly provincial approach to financial affairs. Unlike Mr Gerhard Stoltenberg, his silver-haired grandee predecessor, who used to devour the international and German heavyweight press each morning, Mr Waigel reads first of all the Munich boulevard papers and the tub-thumping broadsheet Bild. His main priority lately has been to try to boost confidence by avoiding unpleasant tidings during the election campaign.

But the finance minister has been forced to acknowledge that his ministry's public assessment this summer of the costs of the east-west German merger was hopelessly over-optimistic. Part of the reason for the underestimate reflected exaggerated faith in the willingness of private industry to invest eastwards, but political calculation also played a part.

Referring to unity's lack of popularity in the west, one seasoned foreign ministry official says: "If we had told them the truth, there would have been even more internal resistance."

To try to regain control over public finances, and obviate the need for tax increases next year, Mr Waigel will tomorrow announce a package of DM30bn in spending cuts for next year. These will include reductions in employees' tax allowances, prompting the Social Democrat opposition to claim that Bonn has already reneged on its "no tax increase" pledge. Even after the planned 1991 savings, Germany faces an overall public sector budget deficit next year of DM140bn to DM150bn – 4.5 to 5 per cent of Gross National Product.

The overall German public sector deficit in 1990 and 1991 will be about DM40bn more each year than estimated in July, when Mr Waigel announced his first 1991 budget plans. This is a result of sharply higher unemployment and lower tax revenues east of the Elbe, together with bigger costs for infrastructure and environmental repair.

The Bundesbank believes east Germany may absorb as much as DM100bn in transfers from west Germany next year – DM6,000 per man, woman and child – above all for income support through unemployment, health and pensions payments. International bankers in London are talking of gross German borrowing next year of about DM1bn per working day, covering all forms of debt, for all the public sector.

"It's a black hole," says one German-born bond dealer at a US investment bank in the City. Commenting on the about-turn in normally cautious German financial policies, he laments: "Suddenly you've got an excuse to do all the things you're not supposed to." A senior European central banker declares: "The problem is not that this is not financeable. The problem is: at what long-term interest rate? This may have undesirable effects in Germany and elsewhere. I have the fear that a financing programme of this size will push up interest rates more than are needed."

In view of the Bonn government's reluctance to decide either tax increases or sweeping cuts in spending and subsidies, the central banker adds: "I find it bizarre not to tell the population that helping east Germany will have a real cost."

Signs of conflict over Bonn's financial strategies have multiplied in the past few months

In fact, Bonn faces a series of dilemmas over east German restructuring. Finding solutions in any one of these areas is difficult: resolving them all at once is impossible.

● For several years, the government will have to deal with east and west Germany as two different economic areas. According to the autumn report of the five top German economic research institutes – denounced by Bonn as unduly pessimistic – Gross National Product in the east will fall 16 per cent this year and 10 per cent in 1991. In west Germany, GNP will rise by 4 per cent this year, slowing to 2.5 per cent next year.

● The ratcheting apart of the two regions' economies greatly hinders policy targeting. Bonn officials admit that the continuing boom in the west partly reflects the effects of high financial transfers to the east feeding back into increased demand for west German goods. Because of the collapse of much of east Germany's previously self-sufficient industry, 50 per cent of the area's consumer goods, for instance, are now imported.

● The east German downturn automatically widens budgetary imbalances, especially where social security shortfalls are concerned. The five institutes predict that average east German unemployment next year will be 1.4m (17 per cent of workers), with 1.75m more on short-time working.

According to the latest Bonn finance ministry estimates, east German tax receipts next year will be only DM40bn, compared with the blithely optimistic estimates of DM53bn put forward this summer by finance ministry officials. On the positive side, the sharp rise in employment in the west has led to surpluses in the west German social security fund, estimated at DM20bn this year and DM30bn in 1991.

● Privatisation in the east is proceeding only slowly. Private investment flows to the east are estimated at DM5bn this year, DM15bn in 1991. Mr Detlev Rohwedder, the head of the Treuhand state holding company, complains that sell-offs are being held up by hundreds of thousands of partly-competing legal claims on former state assets.

● The biggest problems concern wages. If the rise in east German incomes is too fast, unemployment will go up, as companies will lose an incentive to invest; if it is too slow, migration to the west will increase. According to some reports, 100,000 east Germans may have left to go west since the July 1 currency union.

To prevent political and social discontent, Bonn leaders have encouraged hopes in east Germany that living standards will be aligned with the west within the next few years. At present, real incomes east of the former border are only about 30 to 40 per cent of western ones. Relatively high wage rises in the east, now running at as much as 30 per cent a year, run the risk of being too low to ease east Germans' unhappiness at being "second-class citizens", but too high to attract capital seeking low-wage production sites.

In spite of these anxieties, the Bonn finance ministry is maintaining its optimistic line. One official says that financing east Germany over the next two or three years is "a classic task for credit". Since the burden on public finances will only be temporary, tax increases would be the wrong answer: "That would be permanent."

Pointing to the basic soundness of the German financial position, the official points out that in 1989, West Germany ran a small surplus on all public sector budget transactions (including the social security fund). He adds, somewhat desperately: "If it were not for east Germany, we would still have a surplus."

Taking the strain through more borrowing will certainly mean tapping foreign markets. The telecommunications arm of the Bundespost, which will be borrowing DM10bn a year from all sources over the next seven years to help fund a DM200bn investment programme, has already announced plans to woo foreign investors. Mr Waigel denied in the summer that Bonn would make special efforts to tap international markets.

The finance ministry says that Bonn is not "actively" soliciting foreign capital – but admits that the funds are coming in from abroad, as the result of the international nature of the D-Mark capital markets. Recent government borrowing of DM19bn in promissory notes – the first time the central government has turned to this instrument since 1984 – has attracted interest from both domestic and international investors.

Because of the expansion of international holdings of D-Mark bonds and promissory notes, foreigners as of June owned DM198.5bn or 21 per cent of total outstanding German public sector debt, against only DM79.3bn (13 per cent) when the government came to power in 1982. With a net foreign asset position of about DM500bn, Germany has one of the world's best credit ratings. As the current account surplus falls – the five institutes predict it could be down to only DM16bn next year, against the record DM104bn (for West Germany alone) in 1989 – recourse to foreign capital would be a wholly justified response to the new economic challenges.

The big question will be: how long will it go on? One member of the Bundesbank's policymaking council, who believes the public sector borrowing requirement of DM140bn to DM150bn next year will be perfectly manageable, says: "Who knows if it will take only two or three years. Perhaps it will last eight or 10 years?"

The Bundesbank man says the government's summer optimism over the costs of unity was based above all on sheer naïveté. "People like Kohl didn't realise that big companies take a year to 18 months to come up with investment decisions." The one consolation, adds the official, is that, once the elections are out of the way, the government will have an opportunity to put up taxes towards the end of 1991 – "before too much china is broken".

3i chooses fresh venture

■ Has venture capital had its day?

Venture capitalists have been the pioneers of the financial services sector for the past decade. Backing exciting young businesses in new areas of technology, they have extended the frontiers of the enterprise economy.

But the launch today by Investors in Industry (3i), Britain's largest venture capital company, of a lavish new advertising campaign, suggests the venture capital image has become somewhat tarnished.

3i's ads describe the company as a provider of "investment capital". Where venture capital gets a mention it is portrayed as short-term, quick-buck finance. 3i by contrast is keen to portray itself as a patient, long-term investor.

"Venture capital as a label is a bit narrow," says Derek Sach, a 3i director. "It is a term which has become associated with highly-leveraged buy-outs. We think investment capital is a broader term more suitable for the range of 3i's activities."

3i's £1.5m advertising campaign, which has been devised by J. Walter Thompson, is bound to provoke controversy in the venture capital industry which is already facing something of an identity crisis.

In the early 1980s, British venture capitalists did back young, high-tech companies but many of the early investors piled up large losses and the industry has since become much more cautious.

It has increasingly concentrated on safer, later-stage investments, including buy-outs, which can often be sold on within two or three years. But now that some of the larger, more ambitiously-financed deals have run into problems, the industry has been looking for a new role.

3i's efforts to profile itself as an "investment capitalist" is a shrewd move. While the company still has a strong position in an industry it once dominated, it faces tough competition from more than 100 smaller competitors.

It is unlikely, however, that its rivals will welcome 3i's attempts to ditch the brand-name which made all their fortunes.

OBSERVER

Over there

■ Is it any wonder that Britain has so much trouble coming to terms with its place in Europe when so many Britishers don't even seem to realise they already live there?

The UK media may have ceased long ago to write overtly chauvinistic headlines such as the legendary Fog in Channel, Continent cut off. But scarcely a day passes without a giveaway phrase, such as, "over in Europe" or "British negotiations with Europe" creeping into news reports. Television is particularly naughty about this. Michael Fish and fellow weather-forecasters on BBC offend regularly, as do several big-name newscasters.

Since language not only reveals people's thought patterns but also influences them, ardent Europeans such as Sir Geoffrey Howe and Michael Heseltine, if they cannot agree on anything else, might be well advised to start a clean-up campaign.

On grounds of linguistics alone, this newspaper would certainly support them, even if it makes the occasional gaffe itself, as witness a recent headline: Thatcher defends stance on close ties to Europe.

Tot in time

■ Guinness was once widely promoted as "good for you", an assertion accepted by hospital nurses who would admit it for patients while

"I was a post-Thatcherite before Thatcher."

banning all other liquor.

But they may have been wrong. I'm indebted to Guinness for drawing my attention to the US medical journal Epidemiology, the latest issue of which runs an editorial incongruously headed Cheers! It draws its message from a study showing that men who drink moderately are likely to live longer than those who do not drink.

In other words, some drink really is good for you because it can protect you from heart disease. And the evidence is gleaned not from a straw poll of chaps in the pub, but from a sample of well over 250,000 American males.

The journal, which publishes the study, concludes its findings are important not only because the sample is so big, but also because "it adds compelling evidence to a finding that has already been reported many times – that small to moderate amounts of alcohol are good for your health".

Medical statisticians, it says, have known this for many years, but have not publicised it "perhaps because of the fear that making a positive statement would lead to greater abuse of alcohol".

The journal concludes that a man who wants to reduce his risk of heart disease, "might consider the advantages of washing down his aspirin with a glass of cabernet".

Head man

■ Stephen Barber, head of the Tokyo office of MIM Investment Management, has made a tiny bit of financial history by becoming the first non-Japanese president of a Japanese investment trust company, MIM Toshin KK.

That is no small achievement, considering that until last month, only 15 companies were allowed to run investment trusts in Japan, and none of them was foreign.

Barber's proposal that he should run MIM's new subsidiary himself raised a few eyebrows at the ministry of finance. But, finally, the only critical question, it seems, was how he would sign his name on official documents.

Normally, foreigners' names are spelled out in a special Japanese phonetic script, but in Barber's case, the result sounds like baa-baa.

Having becoming proficient at calligraphy, he would much prefer to write the Japanese word for a barber, *rihatsu*. But he has decided that ministry officials would not appreciate the joke.

Old times

■ The 600-odd community of British expatriates in northern Cyprus, a leftover from the days when the island was a favourite retirement spot for the services, gets its gossip from Greek Cypriot radio.

The Greeks rarely overlook an opportunity to take a verbal swipe at the Turks. The newsreader was heard to say the other day " . . . and yesterday in Constantinople . . . "

LETTERS

The damage done by fund managers and analysts

From Professor D. Quinn Mills.

Sir, I much enjoyed Simon Holberton's article describing Professor Paul Marsh's defence of the efficient market theory of stock pricing ("Cutting through the conceptual fog," November 7). Marsh argues that since the market values shares by considering both short- and long-term profitability, any bias toward the *short-term is illusory*. I believe he is right as far as he goes.

If fund managers and share analysts did nothing more than buy and sell according to the earnings performance of corporations, they might do little *damage. They would serve as a* kind of score card for firms – which is what efficient market theorists imagine is all they do. *But Wall Street and the City do* not stop at this.

Even if the share valuation process *is neutral* with respect to the timing of earnings, the people involved in the valuation process are not. Different participants have different interests in the timing, pattern and form of their investment income, and *it* is the *interac*tion of interests that establishes equity values.

For example, merchant bankers are typically rewarded by capital gains. They concentrate their portfolios and take substantial positions in firms, receive boardroom seats to facilitate information flow, and often provide detailed advice to management. They invest for the long term. On the other hand, fund managers are rewarded with client fees and trading commissions. They diversify portfolios to ensure liquidity against investor redemption and to reduce risks. They lack access to boardrooms and the specific information necessary to provide effective advice to firms they invest in. They have a *short-term investment horizon.* Why is this so? Because their customers make it so.

When fee-paying clients collect fund performance data on a quarterly basis, as is the current custom, fund managers must also maintain a quarterly focus. They have to satisfy their clients. Their thinking is not affected as much by market economics as it is by the short-term basis on which they are appraised and compensated. To believe *otherwise* is to ignore human nature. Today's trading markets are dominated by fund managers over merchant bankers and this creates short-termism.

To facilitate this short-termism, fund managers demand short-run predictions from analysts; those wishing continued employment as analysts oblige them. It follows that when analysts suggest short-term actions to raise stocks prices, they are also being motivated by strong self-interest. This alone is not inherently bad. In fact, the markets may be strengthened rather than weakened by enlightened self-interest. However, there are *further* problems.

The short-term orientation alone is perhaps harmless, but serious damage is done to firms whose shares are bought and sold by the funds when analysts and fund managers prescribe how companies should be run. Thus, the actual damage is done less in the process of share valuation than in the suggestions managers and analysts make for "improving" operations. They prescribe wrongly much of the time.

Fund managers, analysts and outside investors cannot *obtain* the *detailed information* about people and facilities needed to decide what a company ought to change. Even if they could obtain and make sensible use of such data, they might be found thereby in violation of the insider dealing laws for the securities market. They must instead carry in their minds a simplified model of how a company should run.

When sales turn down, fund managers and analysts often *insist* that companies cut back, even though in the long term lay-offs may cost more than they save. Rather than offering *constructive investments for* corporations, they offer financial engineering: mergers, *acquisitions*, or other transactions that are usually inadequate to long-term recovery.

Today's analysts are rarely satisfied to make recommendations and sit back. Instead they enforce their suggestions by downgrading their short-term performance expectations. This pressure, made in well-intended spite, often forces firms to take actions they know will be damaging, because fund managers pick up on this information, lacking any other.

The result is that when firms get into business difficulty and their shares decline, share analysts often make wrong-headed suggestions, causing managers to object that the long-term is being sacrificed to the short. And, of course, it is.

D. Quinn Mills,
Harvard Business School,
Boston, Massachusetts

From Mr John Tucker.

Sir, Simon Holberton's article ("Cutting through the conceptual fog") is an interesting piece of conceptual fog in itself, supported by half-truths.

The example of ICI is interesting but hardly relevant. If Paul Marsh in his sponsored book wishes to prove his theory, a large, stable, mature, well-managed group such as ICI is no test at all.

Could he please explain how using his theory about the behaviour of share prices, the market got it right a year ago in the case of Polly Peck? Or to make it easy for him, how the market responds long-term to smaller, well-managed, growth companies with inherently erratic profits such as Amstrad?

The Association of Innovation Management has also been researching the problems surrounding short-termism, which we believe to be the symptom, not the cause of the problem. We believe the main problem lies much deeper. It is the inability of Britain's financial community to understand new technology or inherently erratic but highly profitable businesses, particularly when they are young.

There is an extreme bias in investment patterns caused by filter mechanisms which are designed not to identify good prospects, but to cushion institutional fund managers against their own bad judgments.

John Tucker,
director,
Stowic Resources,
Round Steps,
High Street,
Stow-on-the-Wold,
Gloucestershire

More than just another takeover

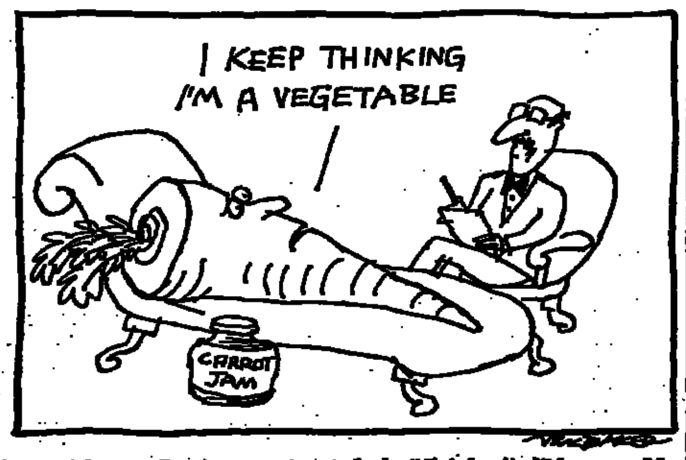
From Mr Peter Young.

Sir, The sale of STC to Northern Telecom is more *than just another takeover.* It marks the end of an era in British technology. From 1851, when the first successful link was laid to France, Britain led the world technically and commercially in undersea cables. Among other benefits, they helped to make London an international financial centre, cable becoming synonymous with sterling on the money markets.

Nearly a century and a half of national expertise had accumulated in STC, which, in competition with the US, Japan and France, was still winning the lion's share of the available world market in undersea cables. Now the company's shareholders will be making some money while the nation *loses another means of wealth* creation.

Peter Young,
21 Keble Close,
Pound Hill,
Crawley, Sussex

Why carrots are in a jam



From Mr W.P. Bowman.

Sir, It is now quite apparent that the recent comings and goings of the European Community's agricultural ministers had nothing to do with the reduction of subsidies to our farmers, or how they are to be suitably compensated.

It was entirely to do with turning science on its head and reclassifying the noble carrot from a root to a fruit – much, no doubt, to the delight of the Portuguese jam makers who use it for that purpose.

Can we now expect that the leaf of the mint herb and the root of the beet will be similarly "disinherited" because Mr Baxter of Speyside puts them in a jelly. Shall we buy our cauliflowers from a florist in 1992? Shall we pay Brussels a royalty on sprouts grown in the UK?

It is nonsense such as this that makes the mass of our citizens wonder what on earth the bureaucrats of Brussels are about.

W.P. Bowman,
chairman,
Covent Garden Market Authority,
Covent House,
New Covent Garden Market, SW8

Dying convulsion of a regime

From Sir James Mancham.

In your 'Seychelles Survey' (October 29) Mr René is credited with "being ahead of his time in putting environmental policies into effect", but strict environmental controls were established before independence and were reinforced under my presidency.

A reduction in international aid to Seychelles is attributed to its relatively high per capita income. There is no mention of international agencies' growing reluctance to aid governments which persist in denying their people a democratic vote.

The survey's introductory article refers to the Seychelles Democratic Party's victory in the 1974 elections as "narrow". In fact, it won 13 of the 15 seats in the legislature. Elsewhere, the article mentions the conscription of children and their isolation for two years' ideological brainwashing, as if it were analogous to Britain's Youth Training Scheme. In reality it has more in common with Stalin's Young Communists and was set up with the help of the Cuban Communist Party. And the statement that "Mr René's supporters staged a coup" in 1977 omits to add that it relied heavily on foreign support, mainly from Tanzania.

More important in the context of investment is the survey's failure to draw attention to the ritual breakdown of government financial control and accounting, as disclosed by the audit report of December 1988. Anyone who has read this report will be left in doubt about the government's ability to produce meaningful figures of any kind, let alone accurate economic statistics.

Quite properly, the survey concentrates on the government's plans for economic development and, in particular, its declared intention to establish a framework attractive to foreign investment and to publish an investment code. But these plans are little more than an expression of hope and the government's record of achievement during its 13 years in office is left vague and for the most part unquantified.

Freedom of expression on political issues is denied. The press is rigidly controlled, telephones are tapped and the distribution of material received by fax is a criminal offence. Dissidents have been harassed, imprisoned, maltreated, made to disappear and murdered. Property is arbitrarily confiscated. Some 10 per cent of the population, including most of the intelligentsia and many of René's former supporters, have been forced into exile. The dead hand of the one-party socialist state stultifies initiative and prevents economic growth.

We are witnessing the dying convulsion of a discredited regime. When it is replaced by popular government, real investment and local enterprise will be stimulated and Seychelles will prosper.

James R. Mancham,
85 Deodar Road, SW15

The Hindu attitude to secularism

From Mr N.J. Patel.

Sir, I am concerned at the level of inaccuracies in FT articles on the current Indian crises. Terms such as "fundamentalist" and "secularism" are used very loosely. Secularism in India exists because of the Hindu majority. It does not mean that minorities should have special rights at the expense of the majority.

Hindus believe that all subjects should be equal and the majority of Hindus believe in equal opportunities and not in special rights. It is special rights for various groups that are causing present problems.

It has been stated many times that the Hindus wish to build a temple in a place where a mosque stands. The mosque in question has been built on a site where Lord Ram's temple stood for many hundreds of years before the building of the mosque. Surely the Hindus have a right to reclaim the sacred site and build a new temple on it. Many Moslem groups which have studied Indian history agree that, like the Ayodhya temple, thousands of temples throughout India were destroyed by the Mogul invaders and replaced by mosques.

Surely every true Hindu has a right and a duty to see these sacred places restored to their original glory for the sake of a better India and a better world.

N.J. Patel,
345 Bearwood Road,
Smethwick, West Midlands.

Eastern Europe's economies: a relevant analysis and prescriptions

From Mr Terence Higgins MP.

Sir, Your editorial comment ("How best to aid eastern Europe," November 7) makes several points which were foreshadowed in the seventh report *of the Treasury and Civil Service* Committee on international monetary arrangements: eastern Europe, published on July 24. In that report, we considered the prospects for eastern Europe's emerging economies and the role of the official sector in providing assistance.

The report argues that any general balance of payments support which would be needed for eastern Europe is more appropriately arranged by international financial institutions, such as the International Monetary Fund. From the evidence we gathered during the course of this inquiry (and a *previous* inquiry into Third World debt), it is clear that the private sector is ill-suited for this purpose.

The onus is clearly on individual governments of eastern Europe to reform their economies. But western governments have an important part to play in assisting the process. We conclude that apart from humanitarian assistance, financial support should be concentrated where the economic structure is likely to enable those resources to be used productively. In this con*text, we supported* the establishment of the European Bank for Reconstruction and Development and also an increase in the capital of the International Finance Corporation.

Like your editorial, we urged western governments to address the issue of debt repayment. In the case of Poland we recommended "that the [UK] government propose to the governments with substantial *holdings of Polish debt that the* claims on Poland be reduced by at least 50 per cent and that the remaining debt be frozen at the present level without further interest being added for a period of five years". Although the government is reluctant to make Poland a special case, I note that the chancellor has put forward a similar proposal for the poorest countries – the so-called Trinidad terms.

The committee noted that Hungary was not seeking debt relief because this might undermine efforts to preserve its creditworthiness. To provide some other form of support, we suggested that "one means of assisting the Hungarian economy without resorting to debt relief, which might affect Hungary's credit standing, is expansion of trade". We also recognised that "because of the frailty and uncompetitiveness of some of its industries, it is unlikely that Hungary could stand a full free trade regime in the near term", but accepted that there might be "the need for transitional restrictions on trade so that the east European economies can develop. In order that any such arrangements can be limited in scope and duration, we would support the negotiation of specific asymmetrical arrangements by the European Community". Some progress has already been made in that direction.

Like you, the committee was concerned with agricultural trade. We stated that "we consider liberalisation of agricultural trade with the EC – which is long overdue – would be particularly helpful to the adjustment efforts of eastern European countries, especially to those countries such as Hungary where agricultural exports account for a substantial proportion of export trade". Perhaps the progress slowly being made in the Uruguay Round will go some way towards this.

In conclusion, we noted that "opportunities for private investment will grow. The future for eastern Europe lies in achieving the degree of economic integration already achieved in the western world. If that process of integration, assisted by western governments by all of the means available, is successful, the expansion of the economies of eastern Europe should provide a further spur to the development and growth of the world economy".

Despite the fast-changing picture in eastern Europe, the Treasury Committee's analysis and prescriptions remain relevant to the problems outlined in your editorial.

Terence Higgins,
chairman,
Treasury and Civil Service Committee,
House of Commons,
Westminster, SW1

FOREIGN AFFAIRS

Not exactly beating the drums of war

Jurek Martin observes differences between Washington and London over the Gulf

Travel can be disorienting and enlightening. *A recent round has produced* one basic conclusion; that, in the matter of the Gulf, London is, relatively, a war city; Washington is not.

This is an observation, not a judgment. It does not imply that Mrs Thatcher is right to appear the Warrior Queen and George Bush wrong as the Great Equivocator, or vice versa. It does not suggest that Britain understands the stakes and principles in the Gulf better, or worse, than does the US, nor that there are deep hidden divisions between the two governments which have co-operated most closely in the international effort to get Iraq out *of Kuwait. Finally, it does not* mean that opinions in both countries are static.

What it does mean is that in trying to assess whether there will be war in the Gulf – not whether there should be – it is *important to consider the pre*vailing moods and perspectives in the respective capitals. Decisions as fundamental as war and peace have to take into account any number of factors – military, *diplomatic*, geopo*litical.* But they *must* also include that often intangible but always critical factor: the public and political mood. And, in that respect, London is, at present, more publicly and politically geared to war than *is Washington.*

This sense permeates public and private debate here. It takes most of its cues from the prime minister but there is not much mainstream political dissent on either side of the House. The media (print and electronic) is suffused with it. Back in August, I recall Lord Callaghan soundly berating a TV interviewer because all the questions put to him presumed the certainty of war. This level of intensity has not declined much since. Count the number of pictures of tanks, aircraft and men in uniform in your daily newspaper, or on your evening television news. Read Peregrine Worsthorne, if you cannot stand the more basic vocabulary of The Sun.

Opinion is not unanimous, of course. Cardinal Hume's letter to The Times is one example of qualified dissent, as, in a different way, was Edward Heath's mission to Baghdad and those planned by Tony Benn and Bernie Grant. The considered editorial opinions of some newspapers also counsel caution. But the cardinal's intervention, in particular, appeared more a response to his perception that the "moral" case for war, and hence its *ex ante* justification, had already been made and generally accepted.

In juxtaposition, the curious thing about a week in Washington last month was that only one prominent public figure – the Democratic congressman *Stephen Solarz of* New York – said on or off the record that he thought that war was inevitable. But he added that he also thought it could be a long time coming. Nobody *interviewed* knew of the existence of a "war party" in Washington, though one middle-ranking member of the National Security Council is suspected of congenital bellicose tendencies. The only universal qualification was that *Iraq could provoke a conflict* by some additional egregious act of violence, but even that, given *Saddam's* canny record since the invasion of Kuwait, was increasingly being discounted.

Decisions as fundamental as war and peace must also include the public and political mood. And, in that respect, London is, at present, more publicly and politically geared to war than is Washington

Mrs Thatcher has, in her way, prepared Britain for war, mostly by the undeniable force of argument, as in the Queens Speech debate last week. But President Bush has not yet seriously attempted – and, if he thinks he has, he certainly has not succeeded – in a comparable effort in the US.

The mid-term elections last week constituted an opportunity for such an exercise, if the will was there. But Mr Bush's off-the-cuff toughness ("I've had it up to here with Saddam Hussein") hardly amount to policy statements or to the Rooseveltian use of the office of the presidency as a "bully pulpit" from which to inspire the national congregation.

Nor does it appear that the *American electorate voted with* the Gulf much on its mind. The fact that two-thirds did not exercise their franchise at all reflects not only disenchantment with *politicians* in general but also the lack of a sense of urgency that war is around the corner. The plight of American hostages is receiving nothing like the attention devoted to the British in Iraq and Kuwait; unlike 1980, the yellow ribbons are not on every tree.

There *is* a budding anti-war movement in the US but it remains relatively inchoate and contains some unlikely bedfellows. Those on the left – *and some on the right* – consider that American troops are in the Gulf solely in the interests of the oil industry, which does not constitute a popular cause. Others on the isolationist right simply consider the Gulf to be none of America's business. The absence of democratic values throughout the region also troubles many Americans.

Influential newspapers are not exactly beating the war drums. The New York Times, while agreeing that force cannot be ruled out, argues that "to make the military option fully credible to Iraq, President Bush has to start making his case for force at home". The Wall Street Journal also finds US aims in the Gulf indistinct. It concludes, by its usual muscular standards almost reluctantly, that since Saddam is a "pirate" someone should stop him. "If you ask why it should be the Americans, the answer is that the Americans are the *only ones who can.*"

Prior to its dissolution before the elections, Congress was *concerned about* handing Mr Bush a blank cheque in the Gulf, but not the point of demanding that he declare war, as a legal prelude for opening hostilities. Sensible, knowledgeable congressmen, like Mr Solarz and Lee Hamilton from Indiana, said last month they would be content with some form of consultative mechanism during the recess to ensure that Congress is kept informed.

Last week, Senator Claiborne Pell put the case for consent and consultation rather more insistently. "The president would be badly advised to go to war without a clear, prior *expression of congressional* support." Though it could always be recalled, it is worth remembering that Congress is not due back in session until the second half of January.

If the US decides it is going to fight – and we *must* never forget that the decision will be made in Washington, nowhere else – it is unlikely to announce it in advance to all and sundry, least of all to The Sunday Times. But Washington is always a city of leaks and moods, especially when the administration and Congress are potentially at odds. Neither the leaks nor the mood are at present of the blood-curdling variety.

Sending more troops and tanks to the Gulf and Mr James Baker's mission to the Middle East, Moscow and Europe can be interpreted variously. It was interesting, to say the least, that the spin imparted by administration officials to the beefing up of the military presence was that it did *not* make war more likely. We may, on this side of the Atlantic, instantly suspect disinformation, or disingenuousness, or both, but it is indeed possible that the prime purpose was no more than to make the military option credible to Saddam Hussein. Obtaining further authorisation for the use of force from the United Nations – surely, *in* any event, desirable – may be designed to serve the same end, rather than to be the necessary precursor to conflict.

It all depends on the glasses through which the analytical eye peers. From a Washington vantage point, the real American debate on the Gulf is only now about to be engaged. It may lead to the same conclusions already embedded in London. But, because this would be primarily an American war, this cannot be taken for granted. For this reason, it would not be wise to bet on war by Thanksgiving or Christmas, or even by Ramadan, *Easter or the Fourth of July.*

FINANCIAL TIMES
Tuesday November 13 1990

EC attacks US for dismissing farm cuts plan

By Tim Dickson in Brussels

THE European Community said yesterday that its proposals to cut farm supports by 30 per cent had been unfairly dismissed by its trading partners in the General Agreement on Tariffs and Trade (Gatt).

Speaking after the rejection of the EC offer by the US and other farm exporting countries had brought the entire Uruguay round of multilateral trade negotiations to the verge of collapse, Mr Ray MacSharry, EC farm commissioner, suggested Washington's alternative offer to cut domestic farm subsidies by 75 per cent was not as radical as it appeared. He gave no hint of further concessions in the Community's position but repeatedly stressed his willingness to negotiate over the next few weeks at the Gatt in Geneva.

The impasse over farm subsidies is expected to loom large at high-level meetings in both Washington and Brussels over the next week. Mr Jacques Delors, EC Commission president, and Mr Giulio Andreotti, Italy's prime minister, are due to meet US President George Bush in Washington today. Top US government officials including Mr James Baker, secretary of state, Mr Nicholas Brady, treasury secretary, and Mrs Carla Hills, trade representative, are due to to meet their EC Commission counterparts in Brussels on Friday.

Mr MacSharry's attack ahead of those meetings was a clear attempt to wrest back the propaganda initiative from the US, whose apparent offer of deep cuts in subsidies has been unfavourably compared with that of the EC.

He warned of drawing "erroneous conclusions" about the two offers and said he was confident that during negotiations "it will emerge that for the period 1991 to 1996 the US and EC offers as regards the overall annual reductions in internal support will prove to be similar."

Differences in calculating the production base for the cuts in support were significant when it came to working out the final impact, as were the different starting points. The EC's offer covers the period 1986 to 1996, while that of the US calls for the cuts to be implemented between now and the end of the century.

Hills joins Yeutter in bid to avert collapse of talks, Page 4

Hungry Leningrad forges a new destiny

Leyla Boulton looks at the daunting obstacles facing a radical city council

LENINGRAD, the cradle of the Bolshevik revolution, is literally crumbling away while the economic and political system inherited from seven decades of communism collapses across the Soviet Union.

But now the old imperial capital, with its sadly neglected, decaying palaces, wants to resume its old role as Russia's "window on the west" nearly 200 years after Peter the Great built the city.

A new radical city council plans to implement fast-track market reforms as soon as possible and to set up a free economic zone with tax benefits for foreign investors. The idea is to modernise the city's ailing economy with foreign capital and raise local inhabitants' standard of living at the same time. An armoured car labelled "Enemy of Foreign Capital" stands in front of the city's Lenin Museum as an ironic souvenir of past ideals.

Councillors even want to restore the city's old name of St Petersburg although that detail, according to mayor Mr Anatoly Sobchak, will have to wait until the economic crisis is brought under control.

"We can't mess around with name changes when the city is in such a dire economic situation," Mr Sobchak said in an interview in a grand office which once belonged to Tsar Alexander II. "Meat or bread won't appear if we rename the city."

The crisis atmosphere in Leningrad is akin to 1917 when Lenin launched the Great October Revolution and declared war on capitalism. In 1990, however, the roles are reversed. The Communists have been swept out of the Leningrad soviet (council).

Their successors, united only by their anti-communism, are still struggling to take control of the city's destiny.

The immediate priority of city councillors who wander around the splendid 19th century Mariinsky Palace in badly cut Soviet suits is to see the city through the winter.

Rationing of basic foodstuffs is to go hand in hand, say the Leningrad radicals, with rapid market reforms initially featuring the privatisation of 74 food shops and the creation of a free economic zone. Details of these plans have yet to be finalised, although some long-awaited decisions may emerge from a full session of Lensoviet deputies this week.

There are also plans to set up commodities and securities exchanges, although these too have yet to materialise.

Mr Anatoly Chubais, a senior council official responsible for economic reform, says that Leningrad would rather move in step with the rest of the country but that it may have no choice but to go it alone.

He says that if for example union authorities fail to take tough measures to stabilise the rouble, Leningrad may try to introduce what he called "quasi-money" – in other words, a system of paying part of inhabitants' salaries in goods, rather than cash. Whe asked where he will get the goods from, he says that goods are always available outside the state system.

"Leningrad is one of the most developed and advanced regions in the country," explains Mr Chubais. "A market economy means more to the Leningrader than it does to a Siberian peasant."

He adds that Leningrad's favourable geographical position near the country's western border will become even more of an asset if the neighbouring Baltic republics – which have taken over as the most westernised part of the Soviet Union – secede.

Leningrad has already applied for the status of a republic in order to organise its own taxes, customs and business formalities within the new free economic zone. The city sometimes called the "Venice of the north" has enormous potential for expanding its tourist industry with the help of foreign investment.

Mr Sobchak, a 53-year-old former law professor who is the country's second most popular politician, also talks of plans to develop Leningrad's port.

Last week, the council's leadership decided to set up the city's own airline, Len Aero, with the ultimate goal of building an international airport.

But there are daunting obstacles if Leningrad's dreams are to get off the ground, even if it does obtain the rights of a city-state, as Mr Sobchak expects it will by the end of the year. The city administration is weak and divided and the local economy is still heavily dependent on central authorities in Moscow.

With 75 per cent of Leningrad's industrial capacity devoted to centrally run defence output, the privatisation of factories will be an empty slogan until they are converted to civilian uses.

Mr Pyotr Semenenko, the director-general of the Kirov plant which produced tanks until January, says he has held talks with Volkswagen, Ford and General Motors on switching to car-manufacturing.

Mr Semenenko hopes to conclude an agreement with one of the companies to manufacture its cars in Leningrad. But, he says, any deal will have to wait until the central government comes up with precise legislation for converting state-owned enterprises into joint-stock companies.

The Russian republic's still unresolved struggle with the Kremlin over who controls resources in the Russian federation injects a further element of confusion into Leningrad's bid to become its own master.

"We are in the absurd situation where Russia has declared sovereignty over all resources on its territory but the Soviet Defence Ministry is still our master," Mr Semenenko said in an recent interview.

Mr Sobchak, who returned from the US last week, says western companies are interested in the idea of a free enterprise zone but want more protection for their investment.

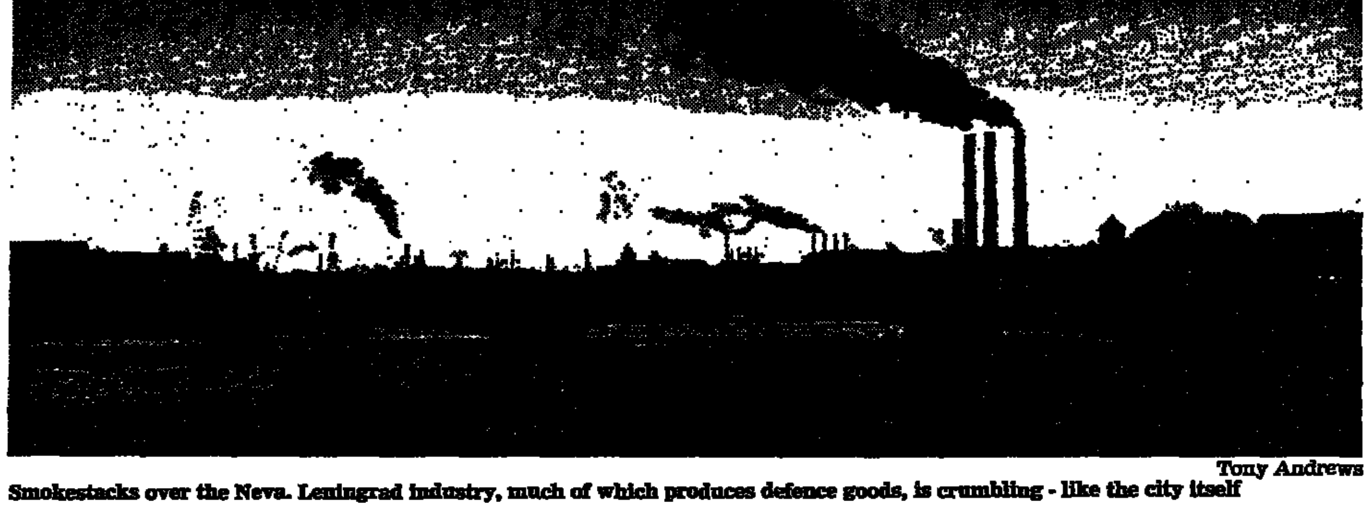
"We will create a guarantee fund for foreign investors in the zone but we are also asking foreign governments to guarantee their companies' investments in the Soviet economy as a way of helping us," he says.

The city already hosts 120 joint ventures with foreign companies.

But apart from the nervousness which investors may feel about the Soviet Union in general, Leningrad is hurting its own cause by slow decision-making.

Mr Sobchak, who left the Communist party shortly after his election in June, says his work is being hampered by a large and unwieldy council of 400 – "Leningrad does not need more than 50 to 75 councillors".

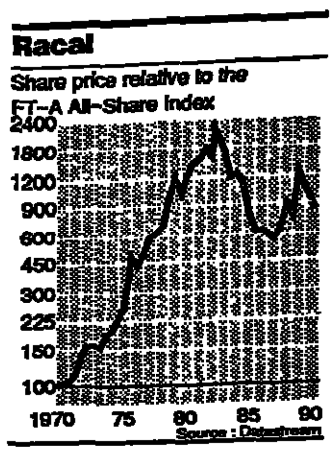
While his opponents accuse him of arrogance and dictatorial behaviour, Mr Sobchak says they are "neo-Bolsheviks" who lack political experience.


Tony Andrews
Smokestacks over the Neva. Leningrad industry, much of which produces defence goods, is crumbling - like the city itself

THE LEX COLUMN

Racal's clumsy somersault

The state of the Tory party may have left equities unmoved yesterday, but sterling's close of DM2.905 was the lowest since July. Fortunately, peseta weakness means sterling's floor is now equivalent to DM2.85, having been as high as DM2.90 in the past week. But it is risky territory, leadership contest or no.



Racal

Come back Millicom, all is forgiven. Little more than two years after Racal lobbied long and hard for City support against Millicom's proposal that Racal give Vodafone to its shareholders rather than make them pay for it, Racal is proposing to do just that. Although Millicom's proposal made excellent sense, management knew better. It won over supine institutions with seductive stories of channelling the huge Vodafone profits into fresh growth areas of the Racal business which had been starved of cash. It never sounded totally convincing; but then neither does yesterday's surprise announcement that the same management is now abandoning its previous strategy and proposing to break the company into little pieces.

It is hard to believe it comes as news even to Racal Electronics' rather inbred board that its shares are never going to reflect properly the value of its 80 per cent stake in Racal Telecom. The problem is shared with the likes of Cable and Wireless, Pentland and Charter, to name but a few. And if it is a defensive move, it achieves little. When Racal announced the sale of 20 per cent of Vodafone, its shares jumped by 30 per cent in a day. Yesterday they rose by less than 10 per cent; and by proposing a management buyout of the unattractive electrical businesses, Racal is removing one of its main defences.

The recent record of attempted buyouts of FT-SE stocks is not encouraging and the lack of financial detail smacks of desperation. One possible explanation, supported by yesterday's rise in the Racal Telecom share price, is that Racal is convinced that a bid is in the offing and wants to get its share price higher before the battle begins.

BOC Group

The dip in BOC's share price yesterday in response to its final results shows the risk of forecasting dividends in a time of recession. But if the market finds the prospect of a seven per cent rise in the current year disappointing, it may think differently six months from now. Indeed, as the outlook for dividends generally gets murkier, the more BOC's explicit promise should be worth to its share price.

Not that earnings in the current year will be other than flat. Given the strength of sterling and BOC's rising tax rate, an increase in pre-tax profits of some eight per cent in local currency would be needed to hold stated earnings unchanged. As for the promised flotation of the healthcare business, that now fades into 1992 at the earliest; even then, it will depend on BOC finding a suitable business with which to merge it. But the gases business goes on as ever, the expectation being at least maintained volume this year and higher margins due to past capital expenditure.

At 462p, BOC is on the average market rating and yield. This seems only due recognition of the durability which makes it almost unique among the veterans of British heavy industry. In the past 25 years ICI has fallen against the UK equity market by 60 per cent, BICC by 74 per cent and GKN by 82 per cent. BOC has produced an 11 per cent rise.

British Steel

The health warnings scattered all over British Steel's privatisation prospectus in 1988 look more apposite all the time. Until the Gulf crisis, it seemed to many that the company might just squeeze through the current steel industry downturn with its £450m annual capital budget unscathed and with dividends smoothly rising ahead of inflation. After yesterday's interims, showing earnings per share down 28 per cent, such hopes look sadly misplaced. With its net cash now only £608m, the company still has £250m of capital investment to do this year and a bill of perhaps £100m for its stake in Spain's Aristrain. It will face a £180m dividend cost if the 9 per cent interim increase out is repeated at the final stage: something which the company carefully did not forecast yesterday.

By cracking down on working capital, British Steel is doing the best it can to keep the cash flow coming. But the operating fundamentals seem poor. Pricing has so far suffered severely in only two product areas – plates and sections, and stainless – while continental European demand is only just coming under pressure. Hence, as Europe softens, there is still scope for things to get much worse. The present share price of 120p is based on a running yield of 9.4 per cent; but this may not adequately discount the risk of a dividend cut.

BET

Companies which claim their earnings are recession-resistant had better be careful in a recession. Judging by its dismal interim results, BET was caught surprisingly short by the speed of the summer downturn and has since struggled to put the brakes on its capital expenditure. Its slow response to the wiles of small company debtors looks equally leaden-footed. So although the core businesses appear to have performed well enough in the UK, bringing in around two-thirds of operating profits, it requires a leap of faith to see any large improvement in the second half.

Take, for example, the way interest cover has collapsed. Add back the gross preference dividend and cover has fallen from around 5 times for the last full year to just over 3 times now. Stated gearing of 122 per cent looks worse than it is; but given that disposals may continue to prove elusive, the company will have to rely on slashing spending if it is reduce borrowings to more comfortable levels. Whether the job can be done through cash flow alone must be open to question. If pre-tax profits reach £295m this year, the shares are on a prospective p/e of 6.7 and a yield of 11 per cent, assuming a dividend of 13.75p. The mooted sale of Anglian Windows and a couple of base rate cuts stand between BET and further deep blushes.

Britain expels Iraqi diplomat in reply to Baghdad expulsion

By Robert Mauthner in London and David Buchan in Brussels

BRITAIN has expelled an Iraqi diplomat in retaliation for the expulsion by Iraq of a Second Secretary at the British Embassy in Baghdad, the Foreign Office announced in London yesterday.

Mr James Tansley, a press attaché at the Bagdhad embassy, was told last Friday that he had 10 days to leave Iraq. In response, Britain has ordered a Second Secretary at the Iraqi Embassy in London, Mr Wajdi Marjan, to leave the the country within a similar period.

The Iraq authorities accused Mr Tansley of making remarks about Iraqi President Saddam Hussein while addressing a crowd, which they considered to be "inappropriate to that job", the Foreign Office said.

The Iraqi Ambassador to Britain, Mr Azmi Shafiq al-Salihi was summoned to the Foreign Office on Saturday and told that the expulsion of Mr Tansley was "unwarranted".

This is the first tit-for-tat expulsion of diplomats from the two countries since Britain ordered the Iraqi military attaché and his staff to leave the UK in September.

That expulsion, matched by the Iraqis, was in response to the violation of the French Embassy in Kuwait by Iraqi troops.

Meanwhile, the European Community yesterday set in train a broad diplomatic offensive to win the release of the remaining 4,000 western hostages in Iraq.

At a meeting in Brussels EC foreign ministers urged the Maghreb states to press Iraq to allow UN representatives into the country to negotiate the release of the hostages.

Howe to attack Thatcher

Continued from page 1

of her policy.

Instead, he will argue that her implacable hostility to a single European currency risks consigning Britain to the slow lane of a two-speed Europe.

Sir Geoffrey opposes the blueprint of Mr Jacques Delors for a single currency and central bank, but he will indicate that he believes that Mrs Thatcher's threat to veto the whole project is equally misguided.

Mrs Thatcher's threat after the Rome summit to "veto" the plans of the 11 other European Community states is said to have convinced him that carefully worked out compromises on Europe within the cabinet cannot withstand her innate hostility.

In a speech expected to last little more than 10 minutes but to captivate Westminister, he is expected to agree with Mr Nigel Lawson, the former chancellor, that much of the economy's present troubles can be traced to Mrs Thatcher's refusal for many years to take sterling into the EMS exchange rate mechanism.

Sir Geoffrey has received numerous approaches in recent days from opponents of Mrs Thatcher urging him to challenge her for the leadership.

His own assessment, however, is said to be that while he might seriously "wound" the prime minister in the first round of any voting contest, he would have little hope of winning in any subsequent rounds.

Brazil set to soften debt terms

By Christina Lamb in Rio de Janeiro

BRAZIL is expected to present a more flexible proposal to the country's creditor banks at the end of this week in order to hasten approval of a $2bn standby loan from the International Monetary Fund.

Mr Jorio Dauster, Brazil's chief debt negotiator, met Ms Zelia Cardoso, economy minister and Mr Ibahim Eris, the central bank governor, yesterday in Brasília to agree a new proposal for the renegotiation of its $60bn commercial debt. Brazil's original proposal last month to convert its debt into long-term bonds was rejected by the creditor banks.

The new proposal will not be announced until it has been approved by President Fernando Collor who returns from Japan on Thursday. But yesterday an Economy Ministry official said: "There is little doubt that the new proposal will be more flexible and involve the payment of some arrears."

At the first two rounds of negotiations, Brazil insisted it would pay none of the $8bn arrears this year and would be able to pay no more than $1.1bn in interest next year. However, the creditor banks last week submitted a counter proposal asking Brazil to first pay a third of the outstanding arrears before a renegotiation could be agreed.

Although Brazil's foreign reserves currently stand at more than $10bn, it insists it cannot pay the $2.5bn the banks are demanding.

Brazil's refusal is delaying approval of a $2bn loan from the International Monetary Fund.Mr Michel Camdessus, managing director of the IMF, told the Brazilians he would not progress the loan application unless and until it was felt they were making progress with their commercial bank arrears.

Uncertainties hit sterling

Continued from Page 1

within the exchange rate mechanism. It closed last night at DM2.9050 and at $1.9625 against a very weak dollar.

The authorities are committed to supporting sterling – either by intervention on the foreign exchanges or by raising interest rates – to make sure it does not fall below agreed limits against other currencies.

This means they may have to raise interest rates at a time when anecdotal evidence and economic indicators – such as industry surveys and yesterday's retail sales figures – all point to a recession and the need for an easing of monetary policy instead.

Mr Roger Bootle, of Midland Montagu, the investment house, said: "This is the nightmare scenario of being in the ERM for the government and the markets. The domestic economy is in deep recession, but the government cannot make the appropriate interest rate cuts because of its ERM commitments."

London's currency markets were most unsettled by the prospect of a leadership challenge. Government gilt-edged securities showed little reaction and the FT-SE 100 share index closed 11.3 higher at 2,051.9.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	R	17	63
Algiers	C	21	70
Amsterdam	C	8	46
Athens	S	15	59
Bahrain	S	29	84
Bangkok	F	31	88
Barcelona	S	18	64
Beirut	–	–	–
Belfast	C	14	57
Belgrade	C	0	32
Berlin	Dr	8	46
Biarritz	S	17	63
Bombay	S	31	88
Bordeaux	C	15	59
Boulogne	C	12	54
Brussels	F	10	50
Budapest	Fg	3	37
Buenos Aires	F	23	73
Cairo	F	22	72
Cape Town	S	19	66
Caracas	C	28	82
Casablanca	S	20	68
Chicago	S	-2	28
Cologne	F	11	52
Copenhagen	F	6	43
Corfu	F	16	61
Dallas	S	8	46
Dublin	C	17	63
Dubrovnik	S	15	59
Edinburgh	R	10	50
Faro	S	20	68
Florence	S	14	57
Frankfurt	C	8	46
Geneva	F	11	52
Gibraltar	C	18	64
Glasgow	Dr	11	52
Helsinki	S	0	32
Hong Kong	–	–	–
Innsbruck	F	8	46
Inverness	C	6	43
Islamabad	F	25	77
Istanbul	S	11	52
Jakarta	R	33	91
Jersey	Fg	14	57
Johannesburg	F	31	88
Lima	C	19	66
Lisbon	S	15	59
London	C	14	57
Los Angeles	F	17	63
Luxembourg	C	9	48
Madeira	C	20	68
Madrid	S	13	55
Majorca	F	19	66
Malaga	S	20	68
Malta	F	21	70
Manchester	C	13	55
Manila	C	29	84
Melbourne	S	18	64
Mexico City	F	22	72
Miami	C	18	64
Milan	S	9	48
Montreal	Sn	-3	27
Moscow	C	-4	25
Munich	C	9	48
Nairobi	F	24	75
Naples	C	16	61
Nassau	F	x	x
New Delhi	–	–	–
New York	S	3	37
Nice	S	18	64
Nicosia	S	19	66
Oporto	S	19	66
Oslo	C	2	36
Paris	C	12	54
Peking	S	18	64
Prague	Dr	9	48
Reykjavik	F	8	46
Rhodes	S	16	61
Rio de Janeiro	F	30	86
Rome	C	13	55
Salzburg	C	10	50
San Francisco	Sn	11	52
Seoul	F	17	63
Singapore	F	30	86
Stockholm	S	3	37
Strasbourg	C	9	48
Sydney	S	21	70
Taipei	F	26	79
Tangier	F	21	70
Tel Aviv	F	19	66
Tenerife	F	24	75
Tokyo	S	18	64
Toronto	Sn	-2	28
Tunis	R	17	63
Valencia	S	19	66
Venice	S	14	57
Vienna	Dr	4	39
Warsaw	C	3	37
Washington	S	5	41
Zurich	C	9	48

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
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INSIDE

Saga in talks to buy Norwegian oil group

Saga Petroleum, Norway's biggest independent oil company, is in talks to buy Norwegian Oil Consortium and Co, the group which initated the potential bidder's creation in 1971. Noco, an unlisted company, was the first Norwegian company to be awarded a licence for the exploration and production of petroleum on the country's continental shelf. Page 29

BET debt soars by 42%

Nicholas Wills, (left) chief executive of services group BET, is getting tough. "Capital expenditure has been frozen except with my personal sanction and we are determined to reduce spending." The tough policies follow the announcement that BET's borrowings rose by 42 per cent in the first half. Page 37

Tough times for PT Inco

Disgruntled shareholders abound in Jakarta now that several disasters have overtaken PT International Nickel Indonesia since its flotation in May. News that an expansion programme had slipped behind schedule and that PT Inco's thermal power plant would not provide supplementary power were particularly hard for shareholders to accept. Page 30

First to go private

There were sighs of relief in Buenos Aires as Argentine President Carlos Menem's first big privatisation was successfully completed on live television. ENTel, the country's notoriously unreliable telephone company, was the first candidate in a big privatisation programme that will embrace roads, railways, oilfields, chemical plants, shipyards and factories as the government attempts to undo the protected and state-dominated economy established by Juan Peron. The sale of Aerolineas Argentinas, the national flag carrier, is next. John Barham takes a look at Argentina's whirlwind agenda for privatisation. Page 33

Tottenham gets the yellow card

Tottenham Hotspur Football Club is finding little comfort in a tough season as troubles over secret loan negotiations with publisher Robert Maxwell continue. London's Stock Exchange yesterday said the conduct of Irving Scholar, chairman, "did not meet the standard expected from a director of a listed company". A report into the affair said that Mr Scholar had breached Companies Act requirements, Stock Exchange regulations and the articles of the club's holding company. Page 39

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				IBM	113	+	2¼
Rises				Loews Corp	92	+	4½
Allianz	483.7	+	11.2	Microsoft	68⅞	+	4⅛
BHF-Bank	368	+	14	**PARIS (FFr)**			
Goldschmidt(TH)	695	+	15	**Rises**			
Mercedes Hld	473	+	13	Bancaire Cie	498	+	23.4
Springer Axel	743	+	33	Gen Geophysique	984	+	29
Falls				Pernod Ricard	948	+	27
Rheinmetall	295	−	16	Union Immob Fr	604	+	24
NEW YORK ($)				**Falls**			
Rises				Ciments Fr	961	−	21
Advanced Micro	4⅝	+	¾	Fonciere Lyonn	815	−	25
First Fidelity	16¼	+	1				
Gen Reinsurance	86½	+	3⅝				
LONDON (Pence)				Avon Rubber	229	−	17
Rises				BET	168	−	15
[illegible]	277	+	29	Christies Int	185	−	13
Blenheim Exhib.	695	+	25	Davies Newman	100	−	25
Cannon St Inv.	78	+	8	Flexello	83	−	7
Hanover Druce	93	+	18	LOFS	63	−	8
Park Food	163	+	8	Mang Bronze	133	−	53
Racal Elecs	182	+	16	MR Charlotte	68	−	3½
Reuters	618	+	23	Tusker Res.	24½	−	4
Securiguard	73	+	12	Wardle S'rys	228	−	11
Trans World	105	+	6				
Falls							
Acatos Hutchsn	106	−	3				

TWA to cut services if merger proceeds ● Pan Am committed to United deal

Transatlantic routes sale mooted

By Nikki Tait in New York

TRANS World Airlines, the US airline headed by Mr Carl Icahn, would sell off transatlantic routes if its $450m bid for Pan Am, another troubled US carrier, was successful.

Details of the letter from Mr Icahn to Mr Tom Plaskett, his counterpart at Pan Am, proposing the merger, became public yesterday. The letter is dated November 9; Pan Am made its existence public on Sunday.

Mr Icahn said in the letter that the merger would be conditional on "contracts of sale, to be consummated upon closing of the merger, of those duplicative international routes that are currently served by both Pan Am and TWA upon terms mutually agreeable to TWA and Pan Am".

The airlines are the only two US carriers allowed into London's Heathrow airport. TWA confirmed that certain transatlantic routes would be sold if there was a merger with Pan Am.

One obvious buyer would be American Airlines. Pan Am, which is financially squeezed, is seeking to sell the bulk of its European routes – including the prized Heathrow routes – to Chicago-based United Air Lines for $400m. However, American Airlines has attempted to enter the bidding, suggesting they are worth at least $500m.

Pan Am emphasised yesterday that it was working to complete the United documentation this week, and was seeking to go ahead with that deal, which is in two parts. The first, concerning airport facilities, could be closed in December, while the more significant second element, involving the Heathrow routes, needs regulatory approval and is unlikely to proceed until 1991.

On news of the merger proposal, Pan Am shares gained ⅛ yesterday at $1¾, although many analysts are sceptical about the proposal. TWA, like Pan Am, has an ageing fleet, formidable debts, and made operating losses in the first half of 1990. "If you put an extremely sick airline with a rather sick airline, what do you get?" asked one analyst.

In his letter, Mr Icahn claimed his bid – comprising $1 a share in cash and $2 a share in either preferred stock or promissory notes – was being made at the invitation of Pan Am. The letter began: "I am pleased to respond to your invitation to present an offer."

Mr Icahn said Mr Plaskett had asked for a proposal including $100m of "bridge capital". To meet this, TWA proposed buying Pan Am's shuttle operations for $100m on or before year-end. It says this capital could be available whether or not the merger was consummated.

Racal's juggling act takes City's breath away

Paul Abrahams examines reasons for the move

Racal Electronics' move to restructure the group took City institutions by surprise yesterday.

The decision was made on Sunday, and Racal Telecom's brokers, Smith New Court, and its merchant bankers, NM Rothschild, were only informed of the deal at 9am yesterday, five minutes before it was announced on the London Stock Exchange.

"We were caught completely by surprise," said Mr Chris McFadden, a salesman at Smith New Court. "We were supposed to know what was happening – and we didn't."

Analysts were puzzled why the deal appeared to have been put together by the Racal Electronics' board so hastily. However, most believed the decision was designed to protect the company from a hostile takeover.

The company intends to demerge its security division and Racal Telecom, operator of the cellular telephone business, Vodaphone. It will then launch a management buy-out of the group's remaining businesses.

Analysts estimated Racal Telecom's value at about £1.9bn ($3.7bn), Racal Chubb Security at £300m and the remaining businesses at about £400m. There is also £375m of debt to be distributed among the companies.

One view was that the board had discovered that a company on the share register was building a stake. Trading in shares of Racal Electronics, which owns 80 per cent of Racal Telecom, has been brisk in recent weeks.

Analysts also point out that Sir Ernest Harrison, chairman of Racal Electronics, reacted in a similar way when in 1988 he discovered Cable & Wireless was building a stake. He floated 20 per cent of Racal Telecom to protect the Racal group.

However, Sir Ernest may have been given further reason to announce his plans by changes in US accounting standards last week. These allow goodwill in cellular operations to be amortised over 15 years. This would have made the acquisition of Racal Electronics and Racal Telecom, its cellular subsidiary, more attractive to a North American bidder. Previously, goodwill had to be amortised in a single year.

The decision to demerge the company is a complete managerial about turn for Sir Ernest.

Two years ago, he fought a bitter voting battle with a minority shareholder, the New York-based Millicom. The fight was over the US company's proposals to demerge Racal Telecom in an effort to maximise shareholder value.

Before the flotation, Mr Shelby Bryan, Millicom's chairman, argued that by only partially demerging Racal Telecom, both the new company and its parent, Racal Electronics, would suffer from a double discount.

The first discount would occur because Racal Telecom would continue to be a controlled company and would be seen as bid-proof, so limiting its stockmarket value.

The second discount, said Mr Bryan, would occur because the full market value of Racal Electronic's 80 per cent stake in Racal Telecom would not be reflected in its share price.

In Racal Electronic's statement justifying its move yesterday, the company admitted it had been disappointed that its share price had consistently failed to reflect the full value of its share holding in Racal Telecom.

The company said yesterday that no board members would be available for comment until December 12 when the two Racal companies announce their interim results.

Analysts were concerned, however, over whether the company had fully taken on board the capital gains tax implications of the deal, given that it had made its decision so quickly and appeared not to have had time to consult its financial advisers.

There was also concern about the viability of Sir Ernest's plans for the management buy-out of Racal's non-telecommunications and non-security operations. High interest rates and Sir Ernest's failure to provide the financial details of the deal heightened scepticism.

Moreover, although Racal Telecom announced a 95 per cent increase in pre-tax profits to £164.8m last year, the fundamentals of the business are looking weaker as the UK economy slows down. Racal Electronics' defence businesses also appear to be under pressure.

Meanwhile, the City will be waiting to see if a bidder emerges for Racal Electronics before Sir Ernest is able to put his plans to the company's shareholders.

Analysts believe the US regional Bell companies might well be interested in Racal Telecom, as might Cable & Wireless, the UK group that owns Mercury.

Sir Ernest's proposals will need the approval of Racal Electronic's shareholders, some of whom were saying last night that they would need convincing.

The decision to demerge is a complete turnround for Sir Ernest Harrison, chairman of Racal Electronics

British Steel profits plunge 27% amid plan to cut costs

By Charles Leadbeater, Industrial Editor, in London

BRITISH STEEL yesterday revealed a 27 per cent cut in pre-tax profits for the first half of the year to £307m ($601m) and plans to intensify its cost-cutting drive with significant redundancies among its 12,500 white collar staff. Turnover was slightly down at £2.51bn.

Sir Robert Scholey, British Steel's chairman, presented the company's interim results to the end of September and said managers were "rolling up their sleeves" to raise efficiency in the face of a decline in UK demand. The company was also facing an increasing challenge from imports, while fierce price competition in continental Europe has cut into export margins.

British Steel's results reflect the stagnant state of the UK manufacturing industries it supplies and the growing pressures exporters face, such as the weakness of the dollar and sterling's recent entry into the European Rate Mechanism.

The intensity of the squeeze is most evident at an operating level, where trading profits were 37.3 per cent down at £243m.

The impact on pre-tax profits was alleviated by higher interest income and sharply lower exceptional items than in 1989. The company's trading margin per tonne has been cut by a third against the first half of 1989 to £40. Employment costs as a proportion of turnover have risen from 18 per cent to almost 20 per cent largely due to the acquisition of the Walker Brothers steel stockholder business in 1989.

Although steel deliveries into the UK market within British Steel's product range were 8 per cent down, the company's volume was about 14 per cent lower, an indication of the impact that imports are making. British Steel's UK market share was 58.5 per cent against 62 per cent in the first half of 1989.

Despite the fall in volumes, UK turnover fell only 5 per cent to £1.5bn, largely because the price weakness of continental markets has not yet affected Britain.

Mr Brian Moffat, managing director of finance, said that with UK inflation running well above the rate in competitor countries, the company had to make further inroads into its cost base.

The company had net liquid cash of £608m at the end of September and declared a 9 per cent rise in the interim divided to 3p.
Lex, Page 26

Asko stages takeover of Co op

By Andrew Fisher in Frankfurt

ASKO, the German retailing group, yesterday announced the takeover of the remainder of the Co op supermarket concern which ran into severe financial and management difficulties in the late 1980s.

Asko will double its turnover in food retailing to about DM8bn ($5.3bn) with the acquisition of the 765 supermarkets which Co op still has after the disposals carried out this year to stem heavy losses.

Mr Klaus Wiegandt, the director who takes over as Asko's chief executive in January, said synergies from the takeover should enable Co op's expected net profits of DM30m next year to be more than doubled in 1992.

Asko, which is strong in the clothing, furniture, and do-it-yourself sectors, gave no price for the takeover of 90 per cent of Co op's shares from Deutsche Genossenschaftsbank (DG Bank) and BfG (Bank für Gemeinwirtschaft). The two banks were left with the majority when foreign banks declined to take part in a further capital restructuring this year.

Asko said minority shareholders would be offered DM500 a share, which puts a value of DM70m on the 10 per cent of publicly held equity.

Mr Helmut Wagner, the present chief executive, said because of Co op's accumulated losses of DM1.8bn, Asko would not have to pay any taxes for the rest of the decade. In 1989, Asko's net profit fell 23 per cent to DM91m, partly because of the allocation of some extraordinary gains to reserves.

The takeover had been expected after news leaked last week that talks between DG Bank, which holds 67.5 per cent of the shares, and Asko were at a very advanced stage. DG Bank negotiated for itself and BfG; the two banks paid DM250 each for their Co op shares.

Mr Wiegandt, who noted that Asko had begun as a food retailer, said the purchase of the Co op supermarkets in the north-west, west, and south-western areas of west Germany would make its food activities large enough to compete with bigger food retailers.

He said Co op's DM4.2bn of sales were concentrated in large population centres like Bremen and the Rhine-Main region, which includes Frankfurt. He added that Asko hoped to improve turnover levels of the supermarkets.

Mr Wiegandt said Asko had not received an advance "green light" from the Federal Cartel Office, but did not expect any problems over the deal.

Swedish insurer and fund to merge

By John Burton in Stockholm

SWEDEN'S Trygg-Hansa insurance group and SPP pensions insurance fund are to merge to form Scandinavia's biggest insurance company.

However, because of opposition from the government, Trygg-Hansa has temporarily shelved plans to acquire a half share in Gota, the Swedish bank and finance group in which SPP is a 50 per cent shareholder.

The merger is linked to the consolidation of Sweden's banking and insurance sectors following recent government proposals to abolish ownership barriers between the two industries.

The SPP/Trygg-Hansa combination is expected eventually to make a takeover bid for Gota.

The merger will result in SPP, the Swedish white collar workers' pension insurance fund, taking a 29.5 per cent voting stake in Trygg-Hansa Holding, the parent group for the Trygg-Hansa Life insurance group, in return for transferring its stake in Gota to Trygg-Hansa.

SPP will receive seven shares in Trygg-Hansa, through a new issue of 21.8m shares, for every eight shares it holds in Gota. Trygg-Hansa Life will also have a 29.5 per cent voting interest in the new group.

The remaining shares are held by Trygg-Hansa's 850,000 policyholders following the flotation of the company last December. The new insurance group will have total assets of SKr220bn ($39.5bn) – SKr65m more than its nearest rival, Skandia – and premiums of more than SKr21bn.

The merger brings together two complementary insurance operations. SPP specialises in managing pension insurance schemes, while Trygg-Hansa concentrates on individual life insurance, pension and accident policies. "It gives us an unbelievably strong position in the Swedish market," said Mr Bjorn Sprange, Trygg-Hansa president. "We must have a strong domestic base to grow internationally."

The deal is expected to result in cost savings of SKr300m-400m annually over the next three years, primarily due to the reduction of the 4,500-strong workforce by 500 people.

The Central Bank and Swedish Bank Inspection Board blocked Trygg-Hansa's bid for Gota at the weekend. Officials decided they could not allow the takeover of Gota by the two insurers until July 1, when legislation abolishing ownership barriers between banks and insurers is expected to take effect.

Financial moves in Scandinavia, Page 29

Tooth sells subsidiary to S.A Brewing for A$375m

By Kevin Brown in Sydney

TOOTH and Co, one of the six companies in Mr John Spalvins' Adsteam group, yesterday announced the sale of its Penfolds Wines subsidiary to S.A. Brewing Holdings for A$375m (US$292.9m)

The sale is part of a A$3bn debt-reduction plan announced last week as part of a deal with Adsteam's bankers forced on Mr Spalvins by the collapse of stock market support for the group.

The deal will reduce Tooth's debt by A$423m to around A$600m after taking account of a A$48m finance lease relating to Penfolds' plant, for which S.A. Brewing Holdings will take responsibility.

S.A. Brewing Holdings will part-finance the acquisition through a one-for-seven rights issue raising about A$130m. The deal will give S.A. Brewing about 57.5 per cent of the Australian sparkling wine market by volume and 37.5 per cent by value.

Mr Spalvins said the deal was "not a bad first step" in Adsteam's restructuring. He said the price was "quite reasonable for all parties," but analysts said it seemed a better deal for S.A. Brewing Holdings.

Mr Spalvins refused to comment on the next step in the restructuring of Adsteam. "The policy of the various boards will be to make statements when things happen," he said.

The sale leaves Tooth with no operating businesses. The company retains shareholdings


John Spalvins: deal 'not a bad first step'

in National Consolidated, Petersville Sleigh, and Industrial Equity, all members of the Adsteam group.

Mr Ross Wilson, managing director of S.A. Brewing Holdings, said Penfolds was "an excellent acquisition at this price," which would provide long-term growth potential.

Mr Wilson said Professor Bob Baxt, chairman of the Trade Practices Commission, had been informed of the deal, and had indicated it would be allowed to go ahead, in spite of the significant expansion of S.A. Brewing's share of the domestic market.

Mr Wilson said the company enjoyed strong institutional support, and expected the rights issue to be fully taken up. The issue is expected to be struck at A$2, compared with a closing price of A$2.33.

S.A.

The restructuring of the Adsteam group follows weeks of heavy selling pressure on the Australian market, after a series of critical analysts reports concentrating on the complex cross-shareholdings between group companies and total debt of around A$6.2bn.

The group will be refocused on its retailing activities, which include the Woolworth's supermarket chain and the David Jones department store. Mr Spalvins is to resign from the boards of Petersville Sleigh and National Consolidated when the restructuring is completed, but will remain at the head of the four other group companies, including Adelaide Steamship and Tooth and Co.

Gulf Canada Resources seeks buyer for oil stake

By Robert Gibbens in Montreal

GULF Canada Resources, the up-stream oil and gas arm of the Reichmann Brothers' Olympia & York Developments, wants to sell at least half its 25 per cent interest in the C$5.2bn (US$4.48bn) Hibernia offshore oil project and other frontier assets.

Gulf has offered the 12.5 per cent stake to Mobil Oil Canada, Petro-Canada and Chevron Canada Resources, the three other partners, and possibly two other companies. It expects "significant" proceeds.

Mr Charles Schultz, Gulf president, said his company could not afford to pay its share of Hibernia development costs. Each of the partners is committed to C$105m in 1991 as the project gets under way.

The Hibernia field, nearly 200 miles east of St. John's, Newfoundland, is due in production in 1994-5.

Gulf is also seeking other sales, including 13 per cent of the Terra Nova field and 8 per cent of the White Rose field, both in the East Coast offshore area.

It also wants to sell 100 per cent of the Klappan coal property in north eastern British Columbia.

Chase Manhattan Spanish closure

By Tom Burns in Madrid

CHASE MANHATTAN Espana, the Spanish arm of the US bank, is preparing to close its loss-making retail banking operations as part of its world wide strategy to reduce operating costs.

A spokesman said Chase would maintain its corporate banking activities in Spain.

The planned withdrawal from Spain follows losses of Pta1.2bn ($12.9m) in the first half of this year against a Pta800m shortfall over the same period last year.

The bank of Spain was informed of the development by Mr Thomas Labreque, Chase chairman, who visited Madrid last week.

Madrid banking soures said Chase had incurred particularly heavy losses as the result of steep rises in Spain's interest rate.

The spokesman said talks were under way with unspecified foreign and domestic financial institutions to sell Chase's Spanish network of 14 bank branches, six of which were opened only this year, and to take on its 400 employees.

In addition Chase had approval from the monetary authorities to open several more bank branches in Spain and these, together with the banking licence to conduct domestic retail financial business, would form part of a one-off sale.

The US bank also intends to sell separately two buildings in Madrid and a third in Barcelona which formed the main real estate item on its 1985 acquisition of Banco de Finanzas, a minor Spanish bank which had earlier applied for receivership.

The cut in Spain is part of a plan announced by Chase in June that calls for a $300m reduction in operating costs throughout the world.

Barlow Rand reports fall in profitability

By Philip Gawith in Johannesburg

BARLOW Rand, South Africa's largest industrial company, suffered the effects of lower demand, intensified competition and high interest rates to record a fall in profitability for the year to end-September.

Turnover rose 10 per cent to R29.1bn ($11.59bn) from R26.4bn, well in excess of 10 per cent of the country's 1989 gross domestic product of R237bn.

Margins, however, were cut sharply as trading conditions deteriorated in the second half so that pre-interest operating profit fell 8 per cent to R2.48bn from R2.7bn. Attributable profit dropped by 14 per cent to R859m from R1bn.

Given its enormous size and widely diversified activities, Barlow Rand's performance is a useful indicator of the nation's economic health.

The group's lower profits confirm what has already been evident from other companies' results, namely the domestic economy has been in recession for the past year, exacerbated by considerable socio-political unrest.

Under these circumstances, Barlow Rand's performance compares very favourably with other industrial companies and is better than the 20 per cent earnings drop forecast by analysts.

The main dent in earnings came from a 76 per cent fall in profits to R52m from R215m at Middelburg Steel and Alloys, the wholly owned ferro-alloys and stainless steel subsidiary.

It suffered the effects of adverse world market conditions for stainless steel and from excess ferrochrome production capacity.

Other features of the results include:

- Strong action taken to curtail unprofitable activities at Rand Mines, including mothballing the Kennedy's Vale platinum project, closing the Vansa vanadium plant and scaling down activities at Harmony gold mine.
- A 27 per cent rise in profits, in rand terms, at overseas arm J. Bibby and Sons.
- Good performances from food interests Tiger Oats and C.G. Smith Foods, pharmaceutical concerns Adcock Ingram and Logos, and electronics group Reunert.

Mr Warren Clewlow, chief executive, said the group was currently in a phase of consolidation, adapting to different circumstances such as the reopening of export markets previously closed, or not easily accessed, and tighter management of the domestic economy. He said he was pleased with the group's export performance which had contributed about a third of profits.

Mr Clewlow said he anticipated economic conditions remaining difficult but did not expect a further deterioration.

Earnings per share fell15 per cent to 463.7 cents (543.8 cents) and the dividend was maintained at 170 cents per share.

Large job losses at JCI following rationalisation

By Philip Gawith in Johannesburg

JOHANNESBURG Consolidated Investment (JCI), one of South Africa's leading mining houses, has announced a rationalisation, involving considerable job losses, at its largest gold mine, Randfontein Estates.

About 1,100 workers will be affected. The mine currently employs about 14,000 people.

The announcement is the latest in an lengthening list of gold mines which have been forced to rationalise their activities because of a profitability squeeze caused by a combination of inexorably rising costs and a low gold price.

Last week Harmony mine announced it was cutting gold production by 20 per cent.

During the past four years Randfontein's profit has fallen by 55 per cent from R336.7m ($134.1m) in 1987 to R153.2m in 1990.

The directors said the underlying cause was that the average price for gold increased by only 12.3 per cent while production costs rose 83.9 per cent over the same period.

These factors, coupled with gold grades below the pay limit have resulted in a failure to develop payable ore reserves at the Doornkop shaft leading to substantial losses there.

To improve the shaft, and the mine's, viability the company is reducing stoping activities (preparing the face) in the shaft and concentrating on developing higher grade areas to the north and east of the shaft.

Setback for Portuguese brewing group flotation

By Patrick Blum in Lisbon

CENTRAL de Cervejas (Centralcer), the Portuguese state-owned brewing and soft drinks company, was fully privatised yesterday, but the flotation fell short of the government's objectives with 35 per cent of the shares on offer unsold and left with the underwriters.

This represents the first serious setback to the Portuguese government's ambitious privatisation programme which, despite delays, is set to accelerate sharply with several companies due to be sold or partially sold before tha end of the year.

The government raised Es34.58bn ($256m) from the sale. But the setback for the Centralcer flotation is likely to increase pressure on the government to give preferential treatment for shares or much higher compensation to the former owners of companies nationalised in 1975 in the wake of Portugal's 1974 revolution.

It also raises questions over competition in the domestic beer market: initial reports suggested control of Centralcer had passed to the leading shareholders of Unicer, another brewing company, successfully privatised earlier this year.

Centralcer and Unicer have around 50 per cent of the beer market each. The two companies produce, under licence, a wide range of international brands including Carlsberg, Tuborg and Löwenbrau as well as soft drinks.

Out of a total of 9.5m shares, over 2.9m shares representing 31 per cent of the shares on offer, were sold in a single bloc at Es3,800 per share to a group of investors thought to be led by Portugal's Sogrape and the Santo Domingo group of Colombia. Both groups are leading shareholders in Unicer.

Other general investors bought about 2.2m shares representing about 23.1 per cent of shares on offer, with the remaining shares going to employees, small investors, and holders of company bonds.

The lower than expected demand is attributed to several factors. The Portuguese market for equities has fallen throughout the year and fears of a war in the Gulf are discouraging local investors.

Centralcer's sale has also been controversial. The former owners have been seeking through the courts, so far unsuccessfully, to block its privatisation.

Their efforts are thought to be partly responsible for the withdrawal of three of four leading Portuguese groups that were expected to bid for the company.

Nestlé to form new US arm

By Nikki Tait in New York

NESTLE the large Swiss-based foods group which now owns Britain's Rowntree Mackintosh, is merging its Carnation Company in the US with Nestlé Enterprises Inc, the holding company formost of its US operations.

The US holding group will be called Nestle USA, and incorporate all Nestlé's US operations. Its annual sales will total around $7bn.

Nestlé said the new set-up was designed to improve operating efficiencies but denied redundancies would follow.

Mr James Biggar, former head of Nestlé Enterprises Inc, becomes chairman of the new US subsidiary, while Mr Timm Crull, chairman of Carnation, becomes president and chief executive.

Laurentian earnings slide

By Robert Gibbens in Montreal

WEAKER life insurance in Canada and the UK and a currency hedging loss by its Imperial Life subsidiary reduced the earnings of Laurentian Group in the third quarter and nine months.

But after non-recurring gains, the Canadian group's third-quarter final net profit was C$14.7m (US$12.6m) or 30 cents a share, up 20 per cent from a year earlier. Profit for the nine months was C$33.4m or 66 cents a share, a rise of 25 per cent, on operating revenues which gained 6 per cent.

Total corporate assets were C$11bn at September 30, up nearly $1bn. Hedging loss was around C$10m, which was written off in the third quarter.

Amersham sells reagents arm to Eastman Kodak

By Jane Fuller in London

AMERSHAM International, one of the first companies to be privatised by the Conservative government, is selling its clinical reagents business – including the award-winning Amerlite range of diagnostic kits – to Eastman Kodak, the US photographic, drugs and chemicals group.

The disposal, which will ultimately give Amersham £84m, comes in two £42m ($81m) stages. First, Amersham and Kodak will set up a jointly-owned company, Amerlite Diagnostics. Then, after two years, Amersham intends to exercise its put option to sell the rest of the business to Kodak.

It marks an end to Amersham's attempt to diversify from radioactive reagents. These remain profitable and form a substantial part of the business going to Kodak.

Amersham yesterday also announced an 18 per cent increase in pre-tax profit to £7.2m (£6.1m) for the six months to September 30. The share price gained 29p to 277p.

Its clinical reagents business accounted for £60m in turnover last year – 29 per cent of the group's total, but only 8 per cent of operating profit. It absorbed about half of the £25.5m research and development spending.

Although Amerlite won a Queen's Award this year, the product range has never made any money because of the heavy R&D cost, which totalled almost £40m. Even this is only a fraction of the amount committed by such rivals as Abbott of the US, and Bayer of Germany.

The financial drain deepened as Amersham struggled to automate the Amerlite tests. Mr Bill Castell, Amersham's chief executive, announced the cancellation of the Amerlite development programme this summer. It will resume with Kodak's support.

Kodak, which has a strong position in the US clinical chemistry market, said the agreement would establish its presence in a fast-growing segment of the *in vitro* diagnostic market. Leaving aside the $909.5m it must pay Polaroid over a patent infringement, its after-tax earnings for the third quarter improved by 19 per cent to $358m, with chemicals and drugs performing well.

Amersham's first-half sales rose to £115.7m (£97.1m) and earnings per share to 6.9p (6.2p). The interim dividend stays at 3.7p.

Beijer Capital seeks receivership

By John Burton in Stockholm

SWEDISH financial group Beijer Capital yesterday requested that it be placed in temporary receivership after several banks cut off credit due to its main shareholding in the troubled finance company Nyckeln, another sign of the continuing problems in Sweden's finance company sector.

The action followed a proposal yesterday morning by Nyckeln's receiver that creditors should write down their loans to its finance subsidiary by 15 per cent and the parent company by 30 per cent, and its owners write off their debentures.

Nyckeln's holdings in property and shares will be sold within the next two years to compensate creditors, including Skandinaviska Enskilda Banken and Midland Bank. Nyckeln's debts total SKr11.7bn ($2.1bn), while its assets amount to SKr8.5bn.

The proposal represents a loss of SKr900m for Nyckeln's main shareholders, which include Beijer Capital with a 47 per cent voting interest as well as the Munksjo investment company and the Bonniers publishing group. Beijer Capital also requested that it be placed on the unregistered share list.

Half of Beijer Capital's current assets are tied up in Nyckeln, with the remainder in another finance company and a property investment concern as well as stock holdings.

Beijer Capital's main shareholder is the Swedish financier Anders Wall, who has a 26 per cent stake through his majority-controlled Kongsbo industrial concern and another 10 per cent indirect interest through the Beijer Foundation. Nordstjernan, the Swedish construction and property group, also has a 20 per cent interest in Beijer Capital.

The receiver of Beijer Capital will have 60 days to propose the company's reconstruction.

Scandinavian insurers in joint venture

THE INSURANCE companies affiliated with the co-operative movements in Sweden, Norway and Denmark yesterday announced they would create a joint management organisation through a cross-ownership arrangement at the beginning of 1991 in a bid to lower premiums for their policy-holders, writes John Burton.

Sweden's Folksam will acquire 10 per cent of Denmark's Alka and has an option to increase its stake in Norway's Samvirke from 10 to 25 per cent. In exchange, Alka and Samvirke will acquire 7 and 3 per cent interests respectively in Folksam's reinsurance company, Folksam International.

A management company to co-ordinate the activities of the three insurers will be established in Stockholm, with Folksam owning half and the other two insurers a quarter each.

The three partners, which have total premiums of SKr10.9bn ($2bn) on assets of SKr70bn and a 14 per cent share of the Scandinavian insurance market, hope to save costs through joint investments in computer systems and the development of new insurance operations.

Saga seeks to purchase all or part of NOCO

By Robert Taylor in Stockholm

SAGA PETROLEUM, Norway's biggest independent oil company, is negotiating to buy all or part of the Norwegian Oil Consortium (NOCO).

NOCO, which does not have a stock market listing, is estimated by Norwegian analysts to be worth between NKr3.6bn and NKr4.6bn ($793m).

It was the first Norwegian company to be awarded a licence for the exploration and production of petroleum on the country's continental shelf 25 years ago.

NOCO's largest shareholder is the Norwegian ship-owner Mr Fred Olsen, who has a 45 per cent stake and is chairman of NOCO's board of directors.

NOCO took part in the formation of Saga Petroleum in 1971. The two companies have worked closely since then, with Saga employees being used to provide administrative services and other expertise to NOCO.

From the beginning of petroleum operations in Norway, NOCO has worked in co-operation with the American company Amoco, winning three licences comprising 10 North Sea blocks in 1965.

Since 1968 the NOCO-Amoco group has drilled more than 30 exploratory wells, resulting in the discovery of the Tor, south-east Tor, Valhall, and Hod fields. It holds concession rights in five blocks east of the Ekofisk area, which are valid until 2011.

At present, NOCO has a 15.7 per cent interest in the Valhall field, which produces 75,000 barrels of oil a day; a 3.9 per cent stake in the Tor field; and a 25 per cent interest in the Hod field, which has just come on stream with the expectation of producing 25,000 barrels of oil a day.

● Swedish forestry group Svenska Cellulosa has reached final agreement with Finland's Rauma Repola to sell Cellulosa's 33 per cent stake in forestry equipment maker Sunds Defibrator for SKr520m ($93.5m).

SCA said the move was part of a plan to concentrate on expansion in hygiene, packing products and graphic paper.

Murdoch's Pearson stake at 11%

By Raymond Snoddy in London

MR RUPERT Murdoch's holding in Pearson, publishers of the Financial Times, has fallen to just over 11 per cent – the lowest it has been since the purchase of a stake in the publishing, banking and industrial group in 1987.

The signs are that Mr Murdoch, who has come under financial pressure in recent months, allowed investors to swap preference shares and convertible bonds for Pearson shares without offering them a cash alternative.

Mr Murdoch's News Corporation bought a 14.9 per cent holding in Pearson in September 1987, a stake that increased to a high point of 20.5 per cent.

In 1988 and 1989, News Corporation reduced the cost of its holding by issuing preference shares and convertible bonds in five currencies – to the value at today's exchange rates of £327m ($167m). They were all exchangeable into Pearson stock – or, at News Corp's discretion, a cash equivalent.

Financial concerns about News Corporation – now significantly allayed – appeared to have encouraged investors to exchange their preference shares and bonds into Pearson stock, at a loss.

The Murdoch stake in Pearson has also been reduced by Pearson acquisitions over the past two years. In the company's last annual report, the Murdoch stake stood at 17.2 per cent. There was a further 1 percentage point dilution because of the acquisition of Alton Towers, the entertainment complex in the north of England.

News Corporation said yesterday it was now the beneficial owner 29.9m shares in Pearson, or 11.02 per cent of the total.

The company bought the shares at prices of £9 and over. Pearson shares closed yesterday at 627p, up 5p on the day.

Ms Angela Bawtree, publishing analyst of S. G. Warburg, said yesterday some holders of the convertible issues had decided to convert them into Pearson shares even though the time might not be considered ideal. As News Corporation shares came under pressure, the choice had been between an unexciting Pearson share price and the fear of something much worse at News Corp.

The merger between British Satellite Broadcasting, in which Pearson had a significant stake, and Mr Murdoch's Sky Television, has removed a lot of the immediate pressure on the News Corp share price.

Analysts are now advising those with the convertible issues to hold them, at least until the next interest payment in March.

Mr Murdoch has repeatedly said he likes his stake in Pearson, but allowing investors to take cash instead of the shares would have further tightened his strained cash position.

Details, Page 33

Northwest forecasts fourth-quarter loss

By Nikki Tait

NORTHWEST Airlines, the fourth largest US carrier, saw third-quarter profits slump from $134m to $91m after tax, and warned that soaring fuel prices would force it into the red in the final three months.

The airline outlined the damage which the rise in fuel costs, blamed on the Middle East crisis, had inflicted. It was echoing the increasingly anxious wails of the entire US airline industry. According to Northwest, fuel expenses jumped by $79m in the third quarter to $338m, a 30 per cent increase.

Fuel is normally an airline's second largest expense after labour costs. Although fares have risen over the past three months, many industry players and experts think the increases to date are insufficient to offset the higher operating costs.

"We anticipate that continued high fuel expenses for the remainder of the year will result in a fourth-quarter net loss," said Mr John Dasburg, Northwest's newly-appointed chief executive.

He said the carrier was implementing measures to tackle the situation, including a reduction in flight schedules and the deferment of non-essential expenses.

Operating revenues in the three-month period totalled $2bn, compared with $1.81bn, while traffic – measured by revenue passenger miles – increased by 9.4 per cent.

With capacity up by 6.2 per cent on the same period a year earlier, the load factor improved from 69.9 per cent to 72 per cent.

The downturn in third-quarter figures leaves Northwest posting profits of $111m after tax for the first nine months of the year, down from $240m in the first three quarters of 1989.

Usinor to buy Hoesch unit

By William Dawkins in Paris

USINOR SACILOR, the French state-owned steelmaker, is to take over the stamping forge activities of Hoesch, the German steel producer.

In line with its normal practice, Usinor Sacilor is disclosing no price for the deal, which includes the Schwinn forge at Homburg and the Eckesey plant in the Ruhr Valley. The plants have a combined annual turnover of DM136m ($91.9m) and produce 30,000 tonnes of product a year, mainly parts for the automotive and mechanical engineering industries.

The deal is the latest example of Usinor Sacilor's policy of increasing its downstream activities in steel processing and distribution.

It is also the latest sign of the German steel industry's readiness to form alliances with European partners, following British Steel's takeover of part of Kloeckner's merchanting business, Usinor Sacilor's technical co-operation deal with Thyssen, and its takeover of Saarstahl.

Usinor Sacilor said Hoesch's stamping forge business is complementary to its two mechanical parts subsidiaries, Safe and Estamfor, part of the French group's Ascometal long products division. They had a combined turnover of FFr841m ($168.5m), and output of over 60,000 tonnes last year.

The takeover lifts Usinor Sacilor's production in this sector to more than 90,000 tonnes of stamped parts per year, representing sales of FFr1.2bn.

Munich Re advances 11%

By Our Financial Staff

MUNICH RE, the world's biggest reinsurance group, yesterday reported an 11 per cent increase in net profits for the year ended June, 1990, and said it would maintain its dividend at DM10 a share.

On premiums little changed from 1988-89 at DM12.65bn ($8.5m), against DM12.46bn, the group managed to push up net earnings to DM69.4m from DM62.7m. The year's reinsurance loss totalled DM647m, against DM381m.

The year's results were marked by huge payments due to Hurricane Hugo, the San Francisco earthquake, a series of winter storms in Europe in early 1990, and several big industrial accidents, Munich Re said.

Against this trading background, the result was satisfactory, the company said. It said business in the current year would show climbing investment income which, with reserves set aside, would allow the company to declare another DM10 dividend.

● Commerzbank chief executive Walter Seipp said yesterday he was confident the positive trend seen in the bank's operating profits in the first half of the year was continuing into the current six months.

"Despite certain problems in securities trade caused by the crisis in the Middle East, I am confident we will do very well in 1990," he said. He confirmed that the bank expected to pay a DM10-a-share dividend on 1990 results. Commerzbank paid DM9 for 1989.

INTERNATIONAL COMPANIES AND FINANCE

PT Inco fights against a chapter of accidents

Kenneth Gooding reports on the Indonesian company's endeavours to overcome a series of setbacks

Some investors who bought shares in PT International Nickel Indonesia (PT Inco) when it was floated on the Jakarta stock exchange in May have been very cross indeed.

Since May a number of disasters have overtaken the company and disgruntled shareholders find it hard to believe that at least some of them could not have been foreseen at the time of the flotation.

The PT Inco shares, sold at Rp9,800 ($5.25) each after a series of flag-waving presentations around the world by Inco, the Indonesian group's Canadian parent, have fallen steadily. The recent price of Rp5,050 represented a 48 per cent drop compared with an average fall of 35 per cent by other Jakarta-quoted equities.

The most recent disaster – an explosion on August 31 in one of PT Inco's three boilers which killed five people – obviously could not have been predicted.

What some shareholders find hard to swallow, however, is that as early as June 14 PT Inco was warning that its nickel output would fall below that predicted at the time of the float because its expansion programme had slipped behind schedule and its thermal power plant would not, after all, provide supplementary power.

The company also revealed that the refractory linings in its reduction kilns were failing at an unprecedented rate.

Consequently, PT Inco has twice revised downwards its forecast output, so that the 80m lbs of nickel predicted for this year is down to a forecast 62m lbs and the 87m lbs for 1991 has been revised to 80m lbs. As nickel is selling for well over $3 a lb, that represents a loss of income of at least $75m over the two years.

Inco of Canada collected $125m after tax by selling 20 per cent of PT Inco and still owns 58 per cent of the Indonesian company. Inco recently sent a team to London, from where the flotation was organised, to attempt to repair some of the damage caused by PT Inco's failure to meet its original production forecasts.

After meeting some PT Inco shareholders, Mr Tony Sabatino, Inco's vice president and treasurer, said: "Like PT Inco's kilns, we needed to be rebricked after some of the meetings – the temperature got so high."

But he insisted the exercise was worthwhile and that the team had "restored some credibility" for PT Inco.

Tony Sabatino: restored some credibility

Omri Samosir: delay could not have been foreseen

Mr Omri Samosir, vice-president production for PT Inco, explained that the two-month delay to his company's $81m expansion programme could not have been foreseen in May. The set-back resulted from two incidents in particular: the sinking of a barge containing 800 tons of fabricated steel work destined for PT Inco, and a strike at one of the principal suppliers, Hyundai in South Korea.

He said the expansion project was now going well and should be completed in the first quarter of 1991 against the original start-up target of December this year.

As for the thermal power plant, which had been mothballed some years ago, independent consultants suggested it could be rebuilt but it was later discovered that the plant would not be able to provide all the necessary extra power. Instead PT Inco would install a $9m diesel generator to come into operation in 1992.

The increased failure rate of kiln linings had been caused by repairs being completed with a new material which had a different expansion rate to the other bricks used previously. Mr Samosir said that two of the three original kilns had now been rebricked entirely with the new material and were in production. A third kiln would be rebricked in 1991 after a new (fourth) kiln was producing.

Repairs to the boiler which exploded should be completed by the end of this year, enabling PT Inco to increase its annual production rate to 80m lbs of nickel at that time.

Mr Sabatino insisted that none of these problems on their own would have forced a cut in production. But as they came all together, they caused a large reduction in output.

He also had some better news for investors. For example, he pointed out that PT Inco would suffer relatively little from increased oil prices because over half of its energy requirements were provided by its own hydro-electric power facility.

PT Inco is one of the lowest-cost nickel producers in the world with cash production costs of only $1.02 a lb so far this year. Mr Sabatino said that every $1 change in the price of a barrel of oil affected the company's production by under 2 cents a lb. It was currently paying $24 a barrel which indicated its cash production costs had risen to $1.18 a lb.

PT Inco would certainly hit its flotation target of paying 50 cents a share in dividends this year, said Mr Sabatino, and the company could pay out 100 per cent of its earnings in dividends for the next three or four years.

Mr Keith O'Brien, Inco's director, market research, said Inco believed the nickel market was in balance and there might possibly be supply shortages ahead. The Canadian group had only 45m lbs of nickel in stock and customers lined up for all of it.

"As long as there is some world economic growth, nickel consumption will grow," he said. Inco's forecast is for economic growth of 1.6 per cent next year in the OECD countries, down from 2 per cent in 1990 and 3.8 per cent in 1989. While no growth can be expected in North America next year, Japan, with forecast growth of 3.4 per cent, and Germany, 3.2 per cent, would compensate.

Sun Hung Kai makes board appointments

By John Elliott in Hong Kong

SUN HUNG Kai Properties, one of Hong Kong's largest and most diversified property developers with a market capitalisation of over HK$23bn (US$3bn), last night announced top board appointments and issued a business strategy statement which was designed to underpin the group's stability following the death on October 30 of Mr Kwok Tak-seng, its 79-year-old founder.

Mr Walter Kwok, the eldest son, was named as chairman and chief executive, and his two brothers, Thomas and Raymond, were each appointed vice-chairman and joint managing director.

Mr Lee Shau-Kee, another entrepreneur who was a joint founder of Sun Hung Kai Enterprises in 1963 and who now controls the Henderson Investment group, remains a vice-chairman.

There has been concern in Hong Kong recently about developments in some other family-controlled companies where succession has passed to a new generation and there has been speculation about the direction of the Sun Hung Kai group following Mr Kwok's death.

But a statement issued last night along with the top appointments sought to allay fears by stressing that the business strategy would remain unchanged and that the company would "continue to pursue a conservative approach in maintaining a low level of borrowings."

United Engineers up sharply

By Lim Siong Hoon in Kuala Lumpur

TURNOVER at United Engineers, the Malaysian engineering, cement and construction group, rose 191 per cent in the nine months to September, but earnings per share fell marginally.

The group, which has been benefiting from the government's enormous infrastructure expansion programme, reported a 75 per cent rise in pre-tax profits to M$81.1m (US$30m) from M$46.3m, on turnover of M$227.5m compared with M$78.2m in the same period last year.

After minority interests, attributable profits stood at M$53.3m and per share earnings dropped to M$0.41 from M$0.47 previously.

Despite months of uncertainties on the stock market, United Engineers has been a consistently strong performer, enabling it to put together an equity reconstruction scheme and acquire more businesses.

In a new reconstruction scheme the group's equity is being expanded to M$548m from M$145m. The scheme includes a share split, a one-for-two bonus issue and M$389m rights issue. These changes could place the group among the top 10 by market capitalisation on the Kuala Lumpur Stock Exchange.

About 40 per cent of the proceeds in the cash call will go to pay for a M$293m rights issue by the Cement Industries of Malaysia (Cima), the group's 54 per cent owned cement maker which has been suffering from substantial debt and inadequate capacity to cope with rising demand. As a result of the issue Cima's equity will expand by more than 300 per cent to M$378m.

The equity reconstruction is expected to reduce the group's net tangible assets from M$1.27 a share to M$1.06, while its 1990 pre-tax profit, estimated at M$90m, will leave earnings down from M$0.68 a share last year at M$0.24.

Video tape case manufacturer's shares plunge

By Joyce Quek in Singapore

THE SHARE price of troubled Electro Magnetic Singapore, a video tape housing manufacturer, plunged further yesterday, after the board temporarily suspended Mr Steven Chan as managing director.

The company said Mr Chan's suspension was to allow him to concentrate on his duties as a director, particularly to respond to stock exchange queries on its preliminary results, to carry out a review into these results and into certain Electro businesses.

Mr H.E. Tan, managing director of Asia Investment Holdings, part of the Indonesian Raja Garuda Mas group, which gained control of Electro in April, was appointed group chief executive.

Three months ago, Electro forecast pre-tax profits of S$10.5m (US$6.12m) for the year to July 31. When the company requested a delay in releasing its results on October 31, the market was concerned but unprepared for a shock. On November 5, Electro issued a nine-page statement detailing "a combination of unforeseen circumstances" which pushed the company into a S$20.3m loss.

The share price dived from S$1.39 to 89.5 cents after the November 5 statement and to 66.5 cents yesterday.

Japanese top metal makers rise

By Emiko Terazono in Tokyo

JAPAN'S top seven non-ferrous metal makers reported gains for the first half of the current fiscal year reflecting high demand and a rise in metal prices.

Posting unconsolidated results for the six months to the end of September, all the companies announced large gains in sales in non-ferrous metal divisions dealing with gold, silver, copper and zinc.

Non-metal sales such as new industrial materials and electronic machinery also contributed to the rise. But higher interest rates and an increase in crude oil prices caused pre-tax profits in two companies to fall from the previous year.

Nippon Mining announced its pre-tax profit fell almost 90 per cent due to a deterioration of its balance of financial items, and Mitsui Mining and Smelting's pre-tax profit also fell because of poor performance in the oil division.

On the other hand, Mitsubishi Metal, Sumitomo Metal Mining and Furukawa scored record first-half sales and pre-tax profits, with Sumitomo Metal Mining paying an interim dividend for the first time. Sumitomo Metal Mining and Furukawa boosted their pre-tax profits thanks to a considerable improvement in the balance of financial items.

After-tax profit for Mitsubishi Metal soared 415.2 per cent to Y34bn ($262m) due to profit from sales of the group's Osaka plant.

The companies expect a decline in metals prices and a further rise in oil prices to hurt sales and profits for the rest of the year. Only Dowa Mining and Furukawa expect a rise in both sales and profits from the year before, with the rest forecasting a decline in either sales or profits.

JAPANESE NON-FERROUS METAL GROUPS
Results for first half to end September 1990

Company	Sales Ybn	Sales % change	Pre-tax profit Ybn	Pre-tax profit % change
Nippon Mining	450.5	12.1	1.2	(88.7)
Mitsubishi Metal	355.7	15.5	15.0	4.0
Sumitomo Metal Mining	274.2	12.8	14.3	42.4
Mitsui Mining and	217.6	54.2	3.9	(25.4)
Dowa Mining	105.8	14.1	2.5	19.6
Furukawa	80.3	13.2	7.0	52.9
Toho Zinc	41.1	9.5	2.3	1.0

Figures in brackets show falls

Singapore Press beats expectations

By Joyce Quek in Singapore

SINGAPORE Press Holdings (SPH), the publishing group with a near-monopoly over the state's newspapers, performed better in the year to August than most forecasts.

Group turnover rose to S$531.6m (US$310.3m) from S$458.7m, reflecting the favourable economic conditions in the year ended August 31. "Growth in advertising was particularly buoyant," the group said.

Net profits rose by more than analysts' 23 to 26 per cent forecast to S$133.3m. Earnings per share rose to 78.99 cents from 55.61 cents and a 5 cent higher dividend of 22 cents will be paid.

Singapore's 25th birthday celebrations buoyed the nation's total advertising by 28 per cent for the January to September period to S$408m.

Prudent cost controls and lower newsprint costs than in the previous year, boosted profitability. However, SPH warned that newsprint prices would increase. Trading profit advanced 50 per cent to S$182.4m. This was aided by a 40.9 per cent growth investment income to S$20.2m.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday November 12, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	50.5732	34.1652	39.3069
Albania	(Lek)	10.1155	5.1543	3.482	4.0061
Algeria	(Dinar)	18.6935	9.5253	6.4349	7.4033
Andorra	(Fr Fr)	9.7625	4.9745	3.3605	3.8663
	(Sp Peseta)	183.85	93.6815	63.2874	72.8118
Angola	(Kwanza)	58.65	29.8853	20.1893	23.2277
Antigua	(E Carr $)	5.3125	2.707	1.8287	2.1039
Argentina	(Austral)	10636.90	5420.08	3661.58	4212.63
Aruba	(Florin)	3.5220	1.7946	1.2123	1.3948
Australia	(Aus $)	2.5250	1.2866	0.8691	1
Austria	(Schilling)	20.44	10.4152	7.0361	8.095
Azores	(Port Escudo)	255.50	130.191	87.9518	101.188
[illegible]					
Fiji Is	(Fiji $)	2.8165	1.4351	[illegible]	[illegible]
Finland	(Markka)	6.9625	3.5477	2.3967	2.7574
France	(Fr)	9.7625	4.9745	3.3605	3.8663
Fr. Cty/Africa	(CFA Fr)	488.15	248.739	168.038	193.327
Fr. Guiana	(Local Fr)	9.7625	4.9745	3.3605	3.8663
Fr. Pacific Is	(CFP Fr)	176.60	89.9872	60.7917	69.9405
Gabon	(CFA Fr)	488.15	248.739	168.038	193.327
Gambia	(Dalasi)	14.8110	7.547	5.0984	5.8657
Germany	(D-Mark)	2.9050	1.4802	1	1.1504
Ghana	(Cedi)	675.70	344.306	232.599	267.604
Gibraltar	(Gib £)	1.00	0.5095	0.3442	0.396
Greece	(Drachma)	298.125	151.911	102.625	118.069
Greenland	(Danish Krone)	11.1375	5.6751	3.8339	4.4108
Grenada	(E Carr $)	5.3125	2.707	1.8287	2.1039
Guadaloupe	(Local Fr)	9.7625	4.9745	3.3605	3.8663
Guam	(US $)	1.9625	1	0.6755	0.7772
Guatemala	(Quetzal)	11.4685	5.8438	3.9478	4.5419
Guinea	(Fr)	1219.85a	621.58	419.914	483.109
		590.25a	300.764	203.184	233.762
[illegible]					
Namibia	(S A Rand)	4.9635	2.5291	1.7086	1.9657
Nauru Is	(Australian $)	2.5250	1.2866	0.8691	1
Nepal	(Nepalese Rupee)	57.4685	29.2833	19.7826	22.7598
Netherlands	(Guilder)	3.2800	1.6713	1.129	1.299
N'nd Antilles	(A/Guilder)	3.5220	1.7946	1.2123	1.3948
New Zealand	(NZ $)	3.2265	1.644	1.1106	1.2778
Nicaragua	(Cordoba)	3167675.0	1614102	1090422	1254525
Niger Rep	(CFA Fr)	488.15	248.739	168.038	193.327
Nigeria	(Naira)	15.5435	7.9202	5.3506	6.1558
Norway	(Nor. Krone)	11.3475	5.7821	3.9061	4.494
Oman	(Rial Omani)	0.7580	0.3862	0.2609	0.3001
Pakistan	(Pak. Rupee)	42.30	21.5541	14.5611	16.7524
Panama	(Balboa)	1.9625	1	0.6755	0.7772
Papua New Guinea	(Kina)	1.8600	0.9477	0.6402	0.7366
Paraguay	(Guarani)	2376.50	1210.96	818.072	941.188
Peru	(Inti)	865210.0	440871	297835	342657
Philippines	(Peso)	52.30	26.6496	18.0034	20.7128
Pitcairn Is	(£ Sterling)	1.00	0.5095	0.3442	0.396
	(NZ $)	3.2265	1.644	1.1106	1.2778
Poland	(Zloty)	18752.0	9555.16	6455.08	7426.53
Portugal	(Escudo)	255.50	130.191	87.9518	101.188
Puerto Rico	(US $)	1.9625	1	0.6755	0.7772
Qatar	(Riyal)	7.1745	3.6557	2.4697	2.8413
[illegible]					
Vietnam	(Dong)	12995.25	6316.05	[illegible]	[illegible]
Virgin Is-British	(US $)	1.9625	1	0.6755	0.7772
Virgin Is-US	(US $)	1.9625	1	0.6755	0.7772
Western Samoa	(Tala)	4.5170	2.3016	1.5549	1.7889
Yemen	(Rial)	23.7085	12.0807	8.1612	9.3895
Yemen PDR	(Dinar)	0.9070	0.4621	0.3122	0.3592
Yugoslavia	(Dinar)	20.4995	10.4456	7.0566	8.1186
Zaire Rep	(Zaire)	1412.00	719.49	486.059	559.208
Zambia	(Kwacha)	81.30	41.4267	27.9862	32.198
Zimbabwe	($)	5.01	2.5528	1.7246	1.9841

Special Drawing Rights November 9, 1990 United Kingdom £0.734292 United States $1.44215 Germany West D Mark 2.15039 Japan Yen188.201 European Currency Unit Rates November 12,1990 United Kingdom £0.705621 United States $1.38760 Germany West D Mark 2.05241 Japan Yen178.515

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; ‡ Kuwait Dinar unavailable. (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar.

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday November 12, 1990

INTERNATIONAL CAPITAL MARKETS

UK bonds advance despite poor day for sterling

By Stephen Fidler, Euromarkets Correspondent

THE UK government bond market made gains of up to a quarter point at the longer end, despite uncertainties about the leadership of the government and a resultant decline in sterling.

The equanimity of the gilts market in the face of these worries was attributed to two main factors: the belief that sterling's entry into the exchange rate mechanism of the European Monetary System would reduce the potential for a sharp drop in the pound, and economic statistics showing that the weakness in the economy has firmly spread into the personal sector.

Retail sales figures showed a year-on-year decline for the first time, suggesting that the weakness for so long evident in the corporate sector had spread elsewhere.

The fact that sterling's weakness was largely attributable to political causes, rather than disturbing economic fundamentals, also meant the market reacted calmly. Britain's entry into the ERM and the relative weakness of sterling within the system means that further interest rate reductions are less likely in the near future – a factor which itself should help gilts by keeping inflation under control.

One of the long benchmark government bonds, the 11¾ per cent of 2003-07, ended the day ¼ point higher at 102⅛, yielding 11.42 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-11	+5/32	11.42	11.48	11.75
		9.000	03/00	86-29	+5/32	11.30	11.28	11.38
		9.000	10/08	84-02	-9/32	11.05	10.93	10.95
US TREASURY		8.500	11/00	100-19	+15/32	8.41	8.54	8.88
		8.750	08/20	102-04	+26/32	8.55	8.68	9.02
JAPAN	No 119	4.800	6/99	84.4842	+0.285	7.82	7.66	8.07
	No 128	6.400	03/00	93.7974	+0.053	7.53	7.36	7.75
GERMANY		9.000	10/00	99.8000	+0.270	9.03	9.00	9.01
FRANCE	BTAN	9.000	11/95	95.3407	+0.013	10.23	10.20	10.26
	OAT	8.500	03/00	89.3200	+0.240	10.31	10.29	10.44
CANADA		10.500	03/01	99.5600	+1.050	10.57	10.87	11.30
NETHERLANDS		9.250	11/00	100.4600	+0.260	9.18	9.17	9.24
AUSTRALIA		13.000	07/00	101.2857	+0.386	12.76	13.13	13.49

London closing, Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

■WITH the Japanese markets closed for the coronation of Emperor Akihito and trading in the US limited by the Veterans' Day holiday, most European markets rose modestly on hopes that prospects for imminent war in the Middle East were lowered.

In unofficial trading, the US market made gains, partly on hopes that today's meeting of the Federal Open Market Committee – the Federal Reserve's monetary policy arm – may decide on a lowering of interest rates.

The German market showed most strength, although the rally was partly technical, based on covering of short positions built up in the futures market late last week.

The cash market lagged the futures market, which was up ½ point.

But the rally of 40-45 pfennigs in the cash market was enough to push the DM17bn Bund issue, launched last week, above par. The 9 per cent bond closed at 100.00-05.

Traders said some modest foreign buying was in evidence today, partly based ion the strength of the D-Mark both against the dollar and in the ERM.

French government bond prices rose modestly despite a rise in call money rates in Paris. The rise in short-term rates was largely due to technical shortages of funds by banks and not seen as significant for monetary policy. Indeed, in the medium term, dealers are looking for greater convergence of interest rates with Germany.

The rise was not sufficient to prevent a widening of yield spreads between the French and German markets, up to 132 basis points yesterday from 129 basis points at Friday's close.

US group opens London office

By Tracy Corrigan

FINANCIAL Guaranty Insurance Company this week becomes the third US insurer specialising in asset-backed finance to open in London.

In the US, FGIC is a dominant force in the municipal bond market, which furnishes 95 per cent of the company's business. As the growth of that market slowed, FGIC sought fresh pastures.

Although the office is formally opening this week, FGIC staff have been in London since April, and a number of privately-placed transactions, totalling around $500m, have been completed. FGIC expects its first public deal to emerge before Christmas.

FGIC is wholly owned by GE Capital Corporation, part of the US General Electric Company, which is the fourth largest corporation in the world.

According to Mr Patrick O'Sullivan, managing director of FGIC in London, the assets with most potential for securitisation are those "where spreads are wide, by banking standards, such as leases, hire purchase receivables and commercial real estate."

He said the firm is particularly interested in infrastructural financing. This involves the post-construction securitisation of assets such as toll-roads, power plants and bridges, which reduces long-term debt finance.

"FGIC is not about to get heavily into junk bonds. The [credit enhancement] industry as a whole is very conscious that there cannot be a major transfer of banking risk," says Mr O'Sullivan.

Worldwide, FGIC has so far insured $60bn-worth of transactions since its inception in 1983.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100¼	100¾	+¼	8.71
ALBERTA PROVINCE 9 3/8 95	600	101⅞	102¼	+¼	8.89
AUSTRIA 8 1/2 00	400	95¼	95¾	+½	9.28
BANK OF TOKYO 8 3/8 96	100	96¼	96⅝	+⅛	9.30
BELGIUM 9 1/8 92	400	101¼	101⅝	+⅛	8.34
BFCE 7 3/4 97	150	94	94⅜	+⅛	9.02
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅝	92⅝		10.11
KREDIETCORP 7 93 LFr	1000	92¼	93¼		10.14
WORLD BANK 8 96 LFr	1000	91⅝	92⅝		10.02
AMRO BANK 6 1/4 92 Fl	150	94⅝	95¼	+⅛	9.69
RABOBANK 5 3/4 93 Fl	150	92½	93¼	+⅛	9.50
ALBERTA PROVINCE 10 92 C$	500	97⅞	98⅛	+⅛	11.38
BCE INC 9 5/8 93 C$	300	95⅝	96¼	+⅛	11.70
BELL CANADA 10 5/8 98 C$	150	94	94⅝	+⅛	11.74
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					
AUSTRIA 4 3/4 94	30000	92¼	92¾	+¼	7.58
CANADA 4 3/8 92	60000	95¼	95½	+¼	7.70
CREDIT FONCIER 5 1/4 94	20000	91⅞	92⅛	+⅛	7.45
DENMARK 7 95	40000	98¼	98⅝	+⅛	7.52
EIB 4 5/8 94	40000	91⅛	91⅝	+⅛	7.99
GENERAL ELECTRIC 5 3/4 93	35000	95¼	95⅝		7.47
INTER AMER DEV 7 1/4 00	30000	98½	98⅞	+⅛	7.65
ITALY 5 3/4 92	150000	97⅞	98	+⅛	7.66
KANSAI ELEC PWR 4 5/8 94	60000	91	91¼	+⅛	7.47
NIPPON TEL & TEL 5 7/8 96	50000	92⅝	92⅞	+⅛	7.49
NORWAY 5 1/8 95	50000	91½	91⅝	+⅛	7.98
SWEDEN 5 5/8 95	20000	92¼	92¾	+⅛	7.47
WORLD BANK 6 3/4 00	50000	95¼	95½	+⅛	7.47

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
HAWLEY 6 02 PREF	400	1.91	92	93⅞	+33.76
HILLSDOWN 4 1/2 02 £	150	4.16	102¼	103¾	+69.67
INTL PAPER 5 3/4 02	200	68½	82¼	83½	+18.17
LAND SECS 6 3/4 02 £	84	6.72	82¼	83¼	+5.93
MITSUBISHI BK 1 3/4 02	300	2727.1	75¼	77¼	+0.40
OGDEN 6 02	85	39.077	64¼	65½	+43.75
PACIFIC DUNLOP 6 3/4 97	75	3.749	101⅛	102½	+2.45
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	77	78	
THORN EMI 5 3/4 04 £	103	7.45	101½	102½	+25.40

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

News Corp bondholders convert to Pearson shares

By Tracy Corrigan

CONCERN about the credit quality of outstanding News Corporation debt has sparked a wave of conversion by holders of the company's bonds and preference shares which are exchangeable into the shares of Pearson, the UK conglomerate which owns the Financial Times.

The conversions imply some bondholders have preferred to realise losses on their bonds than face the risk of holding News Corporation debt.

There are five outstanding issues of bonds which allow holders the right to convert the debt into Pearson shares at a price of 843 pence (for Swiss franc and dollar bonds issued in 1988) or 881 pence (for bonds launched in 1989).

A News International official said there are still sizeable portions of all these deals in the market. Pearson shares closed yesterday at 627p, up 5p on the day.

The conversion of bonds issued by Mr Rupert Murdoch's News Corporation into Pearson shares has helped push the shareholding in Pearson controlled by Mr Murdoch down to 30m ordinary shares, or 11 per cent.

Ironically, dealers say that conversion has become less attractive, or at least less pressing, following the BSB/Sky merger announced just over a week ago, which enhances News Corporation's financial position.

"We are telling investors it is worth their while to hold on, at least until the next coupon payments in March," one convertible bond dealer said.

There was speculation that the dollar and Swiss franc bonds might have attracted a higher proportion of conversion than the issues in D-Mark, guilders or sterling, as the rights of investors over the underlying Pearson shares were said to be less clear.

In fact, a third of the Pearson shares which News Corp has given up result from conversion of the Swiss franc and dollar bonds, originally issued in 1988, and two-thirds from the second tranche of D-Mark, Dutch guilder and sterling bonds launched in 1989, according to an official at News International.

News Corporation decided not to exercise the option to pay investors cash, instead of producing the shares, thereby reducing its holding.

Hungarian fund 'making progress'

REPORTS of the difficulties of foreign investment in Hungary have been much exaggerated, the adviser to a Hungarian investment fund said yesterday, writes Stephen Fidler, Euromarkets Correspondent.

Mr Kevin Pakenham, chief executive of John Govett & Co, investment adviser to the Hungarian Investment Company, said the company was pleased with the progress made by the fund since its flotation in London in February.

In the fund's interim report for the half year ended August 31, published yesterday, the fund's chairman, Mr William Govett, underlined that restructuring the Hungarian economy was in many ways a painful process but that "the progress so far made is greater than anticipated earlier in the year".

In the half year, the fund invested $7.6m in listed securities and a further $10.5m in unlisted investments since its February flotation in London.

Since then, the fund had committed $9.5m to a further three investments and a further seven investments were under active consideration.

Its first three investments were in Graboplast, a producer of synthetic materials, Terimpex, the largest Hungarian meat trader and Nikex, an industrial trading and holding company. Further investments were committed or under negotiation in retail trade, mining, tourism, food and property.

Mr Pakenham said that as well as the 20 leading companies being prepared for privatisation early next year, in which it hopes the company will have a role, the company has been negotiating its own acquisitions, sometimes involving the State Property Agency.

There was also evidence of continued domestic interest in the privatisation, although some of this was undoubtedly speculative.

● The International Fund Management Survey, published on November 5, incorrectly stated that the Hungarian Investment Company had "yet to make any progress" in its plans to invest $100m in Hungary.

Argentina on line to privatisation

John Barham finds the ENTel sell-off is the start of something big

Argentina heaved a sigh of relief last week as the ink dried on contracts privatising ENTel, the country's notoriously unreliable telephone company.

The ceremony, broadcast live, brought to an end President Carlos Menem's first big privatisation. It also marks the beginning of one of the developing world's most ambitious privatisation efforts.

In addition to ENTel, Mr Menem is privatising or selling rights to roads, railways, oilfields, chemical plants, shipyards and factories accumulated by the public sector during the past 45 years.

Mr Menem said the privatisation of ENTel and the imminent sale of Aerolineas Argentinas, the national flag carrier, will alone "raise $3.15bn in cash, reduce the foreign debt by $7.04bn and bring $10.44bn in new investments to Argentina".

The government is undoing the foundations of Argentina's protected and state-dominated economy laid by Juan Peron, the populist leader. As well as privatising tracts of the public sector, Mr Menem – who leads a Peronist government – is abolishing trade barriers and unleashing market forces throughout the economy.

ENTel's privatisation was seething with treachery, intrigue, rumours of corruption and impressive brinkmanship.

In October, Manufacturers Hanover, the US investment bank, dropped out of the ENTel privatisation at the eleventh hour when the government refused to extend the deadline for payment.

It was replaced by J.P. Morgan, placed third in the original bidding.

The buyers pushed their negotiating advantage to the maximum to extract better terms, exploiting the government's self-imposed deadline of November 8. The privatisation did not attract private telephone companies, as the government had hoped. Instead, foreign banks, who are swapping their exposure to Argentina's government debt for shares in ENTel, lead the pack.

One American banker said: "We won't run the company ourselves, but we'll have someone on the board to keep an eye on the numbers to make sure we're not ripped off."

The banks are followed by telecommunications companies majority-owned by the governments of Spain, Italy and France responding to pressure from their governments to support Mr Menem's privatisation programme.

Carlos Menem: undoing foundations laid by Peron

The government has sold 60 per cent of ENTel for $214m cash plus a $5.03bn debt-for-equity swap to two groups, led by Citibank and J.P. Morgan, which must together invest over $0.6bn in ENTel over two years.

ENTel has been split in two. Citibank and its partners Telefonica de Espana and Techint, will run operations in southern Argentina. J.P. Morgan with STET and France Telecom, owned respectively by the Italian and French state telephone companies, will control northern Argentina. They will share data transmission and international services. Co-operatives, ENTel employees and the general public will hold the remaining 40 per cent equity.

Finally come a mixed bag of local companies, many of which prospered for decades as contractors to the state sector.

An outstanding example is Techint, an Argentine industrial group. It is participating in concessions or privatisation of oilfields, highways and a railway, as well as ENTel. The government not only sold ENTel at a discount but also offered a guaranteed 16 per cent annual return on ENTel's $1.9bn assets and an escalator clause to protect profits.

The safeguards are meant to reassure investors because the government habitually changes rules and regulations at will, and because the unpredictable economy is occasionally rocked by heavy inflation and foreign exchange crises.

However, Mr Miguel Fuchs of Banco Roberts, the government's adviser, recognises that the buyers still face considerable business risks: "The guarantees are not as [stringent] as they seem, because in the past the government has not kept its word."

Citibank has insured its investment with the US's OPIC investment protection scheme which reimburses companies for nationalisations and other political risk.

Investors have meticulously planned their acquisitions to reduce exposure to Argentina's economy.

The consortia are acquiring debt certificates from Argentina's bank creditors in exchange for ENTel stock, sweetening the deal by offering guaranteed dividends and above-market discounts on debt paper.

A banker said: "If all goes well, we'll get out at 100 cents to the dollar and if things don't work out, we'll get out at 45 cents to the dollar."

The government is acting not just out of free market convictions, but to avoid impending bankruptcy and to strengthen the political ambitions of President Menem. It is often criticised for not paying sufficient attention to the regulatory framework in its haste to be rid of the companies – it took just 11 months to privatise ENTel.

However, Mr Fuchs says the government will monitor compliance with investment and efficiency targets and can revoke an operator's licence if it misses the targets.

Within a maximum of 10 years, the two companies will be free to offer competing services in both northern and southern zones.

Despite the chaotic negotiations and ineptitude displayed by both government and buyers, the breadth and speed of Argentina's privatisation is impressive.

Not only will the government be rid of a heavy financial burden – state companies lost $5.5bn in 1989 – but the long-suffering Argentine consumer should get a better deal, and the economy will become more efficient as the hitherto-collapsing infrastructure improves.

New fund to invest in China

By John Elliott in Hong Kong

THE FIRST international fund designed to invest in shares in the Republic of China is to be launched next month by Indosuez Asia Investment Services of Hong Kong, part of the Banque Indosuez Group, with a closed-end target of US$20m raised in Asia, the US and Europe.

Called the Shanghai Fund, its launch reflects China's growing interest in developing stock markets to provide capital for industrial projects. It will invest half the US$20m in Hong Kong and Taiwan, which it brackets as part of "Greater China".

So far the Republic of China has only about 15 stocks, with five stock exchanges operating or planned, but these are expected to expand because of active recent encouragement from Peking.

The two most promising centres are Shanghai and the special economic zone of Shenzhen in the southern province of Guangdong.

The Shanghai Fund's launch is timed to precede the Shanghai stock exchange's relaunching on December 19. It will be listed on the Hong Kong exchange next month and a London listing is planned for early next year.

Mr Robert Lloyd George, managing director of Indosuez Asia Investment, said yesterday that it was being underwritten by the Indosuez Asia merchant bank and had five or six Hong Kong securities houses as core investors.

A further US$10m had been committed by Japanese and Taiwanese institutions and marketing would follow in the US and UK.

The aim would be to invest "at least up to half" the US$20m in listed shares in China within two to three years, as stock markets developed.

The remainder would be invested in Hong Kong's China-related stocks, in China's foreign joint ventures and in Taiwan's Taipei Stock Exchange, which is being opened to foreign investors.

Other groups, including Crosby Asset Management of Hong Kong, have been considering launching China funds.

Credit downgrade for Japan debt

MOODY'S has downgraded ratings of $9.1bn debt supported by guarantees and letters of credit from four Japanese banks it downgraded last week, writes Our Euromarkets Staff. The move covers Long-Term Bank of Japan, Sumitomo Bank, Tokai Bank and Mitsubishi Bank.

Nymex in computer move

NEW York Mercantile Exchange (Nymex) chairman Lou Guttman expects trading in Nymex futures contracts to be computerised by late 1991m, Reuter reports from Chicago.

Mr Guttman said the Nymex board will begin selecting an automated system in the next four to five weeks. "By this time next year, Nymex products will be trading on an electronic system," he said.

Mr Guttman said the automated trading will only be in effect after normal trading hours. He did not rule out the possibility of joining Globex, the global computerised trading system being developed by Reuters and the Chicago Mercantile Exchange.

Spain set to launch FFr2.5bn benchmark offering

INTERNATIONAL BONDS

SPAIN is set to launch a benchmark issue in the French franc sector today. Terms were still under discussion late last night, but the mandate to lead manage the FFr2.5bn deal was awarded to Crédit Commercial de France, after a round of competitive bidding, writes Tracy Corrigan.

Spain's decision runs counter to expectations that the sovereign issuer would launch a further benchmark in Ecu bonds. However, funding opportunities in the French market have proved more attractive.

Meanwhile, holidays in Japan and the US cast a pall over new issue activity yesterday. An Ecu150m offering by the government-guaranteed Oesterreichische Kontrollbank was the only sizeable issue.

The 10½ per cent two-year bonds, via Crédit Suisse First Boston, were targeted at retail investors in continental Europe. Dealers said the bonds did not look generously priced. The deal was quoted on full fees of 1¼ point.

The only other transaction was a C$35m issue of 11¾ per cent two-year bonds for the Federal Business Development Bank of Canada.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Mon Nov 12 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Nov 12 Index No.	Thu Nov 9 Index No.	Wed Nov 8 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (195)	689.36	+0.7	15.61	6.91	7.83	33.01	684.47	681.58	685.92	879.87
2 Building Materials (26)	924.43	+0.3	15.88	6.61	7.75	40.76	921.74	922.14	936.55	1063.95
3 Contracting, Construction (34)	1114.89	+0.1	16.89	7.18	7.69	58.72	1113.73	1116.21	1130.89	1406.49
4 Electricals (10)	1809.75	+0.2	15.50	7.44	7.89	99.22	1806.42	1779.90	1789.30	2523.82
5 Electronics (26)	1580.28	+1.4	10.53	5.43	13.00	58.75	1558.37	1557.53	1551.88	1922.56
6 Engineering-Aerospace (8)	391.31	+0.4	17.14	6.23	6.99	17.27	389.89	387.22	392.21	0.00
7 Engineering-General (47)	346.97	+0.6	17.04	7.44	7.05	17.45	344.99	344.45	346.54	0.00
8 Metals and Metal Forming (8)	396.39	-0.1	23.39	8.43	5.26	17.91	396.75	395.97	396.88	460.52
9 Motors (13)	272.20	+0.9	18.35	8.84	6.35	17.45	269.81	266.54	265.41	360.79
10 Other Industrial Materials (23)	1138.38	+1.3	14.80	7.16	7.80	60.96	1124.22	1112.35	1117.71	1641.86
21 CONSUMER GROUP (178)	1174.88	+0.7	10.43	4.36	11.87	33.03	1166.78	1169.49	1184.69	1256.37
22 Brewers and Distillers (22)	1469.34	+0.1	10.64	4.02	11.38	33.62	1468.20	1474.41	1479.48	1402.92
25 Food Manufacturing (19)	984.66	+1.2	11.87	5.00	10.39	28.13	972.77	975.91	987.41	1093.71
26 Food Retailing (16)	2217.77	+0.7	9.86	3.34	13.23	52.68	2203.36	2219.43	2261.75	2295.13
27 Health and Household (17)	2400.26	+1.5	7.37	3.10	16.05	50.32	2365.27	2377.72	2431.86	2552.99
29 Leisure (32)	1185.92	+0.3	12.63	5.47	9.58	44.58	1182.60	1171.95	1180.11	1564.34
31 Packaging & Paper (12)	478.63	+0.2	13.45	7.27	9.13	23.79	477.65	477.03	479.56	532.67
32 Publishing & Printing (14)	2840.05	+0.2	12.51	6.64	10.02	137.99	2835.33	2813.35	2831.01	3637.63
34 Stores (34)	794.75	+0.3	11.13	4.66	11.71	23.86	792.00	793.18	804.91	778.33
35 Textiles (12)	412.26	+1.0	14.48	8.61	8.76	25.55	408.14	408.84	409.47	515.23
40 OTHER GROUPS (106)	945.16	+0.5	13.11	6.08	9.28	32.20	940.08	939.13	949.49	1110.91
41 Agencies (15)	931.12	+2.0	11.45	3.58	10.58	22.70	913.12	908.46	932.34	1493.81
42 Chemicals (24)	1007.92	+0.7	13.28	6.67	8.88	46.81	1001.35	994.12	1001.18	1183.11
43 Conglomerates (14)	1200.88	-0.6	14.16	8.33	8.48	38.53	1208.16	1230.24	1245.44	1608.15
44 Transport (14)	1792.26	......	13.10	5.66	9.67	67.29	1791.44	1781.22	1809.50	2124.51
46 Telephone Networks (3)	1065.27	+1.1	12.47	4.70	10.44	26.09	1053.99	1046.64	1053.63	1077.96
47 Water (10)	1954.04	+0.8	14.85	6.93	7.63	68.12	1939.15	1939.86	1947.20	0.00
48 Miscellaneous (26)	1489.80	+0.5	12.56	6.05	9.25	62.06	1482.00	1478.26	1502.70	1842.56
49 INDUSTRIAL GROUP (479)	985.65	+0.7	12.38	5.44	9.91	33.79	979.27	979.15	989.89	1131.61
51 Oil & Gas (21)	2278.72	-0.2	9.81	5.52	13.31	85.44	2284.04	2270.29	2294.26	2133.70
59 500 SHARE INDEX (500)	1091.42	+0.5	11.97	5.45	10.33	37.98	1085.87	1084.72	1096.54	1216.03
61 FINANCIAL GROUP (103)	680.24	+0.3	–	7.01	–	33.16	678.22	672.84	676.73	783.49
62 Banks (9)	719.55	+0.7	22.74	8.01	5.76	42.00	714.41	709.90	715.64	799.28
65 Insurance (Life) (7)	1261.35	+0.3	–	6.09	–	55.82	1257.11	1246.13	1265.74	1307.47
66 Insurance (Composite) (6)	571.73	-0.4	–	7.48	–	32.08	574.30	570.12	575.76	659.83
67 Insurance (Brokers) (8)	899.55	+0.4	8.48	7.15	15.46	41.94	895.54	890.30	895.00	1086.61
68 Merchant Banks (7)	343.79	-0.3	–	5.95	–	12.75	344.90	342.90	345.79	427.48
69 Property (45)	943.45	+0.3	7.75	5.18	17.03	27.11	940.71	927.49	919.52	1182.01
70 Other Financial (21)	244.05	-0.1	11.58	7.39	11.09	12.21	244.38	244.10	243.52	322.24
71 Investment Trusts (70)	993.94	+0.7	–	4.04	–	27.18	986.79	982.08	998.41	1204.10
91 Overseas Traders (5)	1066.21	+1.0	13.40	8.67	8.88	69.98	1056.24	1050.59	1056.67	1398.97
99 ALL-SHARE INDEX (678)	990.49	+0.5	–	5.65	–	36.43	985.66	983.53	993.66	1112.75

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 12	Nov 9	Nov 8	Nov 7	Nov 6	Year ago
FT-SE 100 SHARE INDEX‡	2051.9	+11.3	2051.9	2043.1	2040.6	2036.2	2059.2	2069.8	2050.1	2213.2

FIXED INTEREST

PRICE INDICES	Mon Nov 12	Day's change %	Fri Nov 9	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	118.68	+0.06	118.61	–	10.71
2 5-15 years	123.56	+0.05	123.50	–	21.95
3 Over 15 years	135.33	+0.10	135.23	–	10.78
4 Irredeemables	139.03	-0.08	139.14	–	13.46
5 All stocks	123.75	+0.05	123.69	–	11.55
Index-Linked					
6 Up to 5 years	157.08	+0.02	157.05	–	3.04
7 Over 5 years	141.47	+0.08	141.35	–	3.45
8 All stocks	142.53	+0.08	142.42	–	3.42
9 Debentures & Loans	101.89	+0.10	101.79	–	9.69
10 Preference	73.15	+0.29	72.93	–	5.84

AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 12	Fri Nov 9	Year ago (approx.)
British Government				
1 Low	5 years	10.31	10.38	9.95
2 Coupons	15 years	10.81	10.83	9.67
3	25 years	10.86	10.86	9.59
4 Medium	5 years	11.40	11.40	11.02
5 Coupons	15 years	11.27	11.27	10.06
6	25 years	11.17	11.17	9.70
7 High	5 years	11.50	11.51	11.14
8 Coupons	15 years	11.47	11.48	10.26
9	25 years	11.35	11.36	9.86
10 Irredeemables		10.97	10.96	9.68
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.64	3.64	3.46
12 Inflation rate 5%	Over 5 yrs	4.26	4.27	3.61
13 Inflation rate 10%	Up to 5 yrs	2.47	2.47	2.67
14 Inflation rate 10%	Over 5 yrs	4.09	4.09	3.45
15 Debs & Loans	5 years	13.36	13.36	13.70
16	15 years	12.86	12.86	12.17
17	25 years	12.50	12.50	11.82
18 Preference		12.96	12.98	10.67

‡Opening index 2045.5; 9 am 2043.1; 10 am 2049.6; 11 am 2047.6; Noon 2049.8; 1 pm 2049.9; 2 pm 2047.6; 2.30 pm 2048.4; 3 pm 2048.7; 4.10 pm 2051.7; (a) 4.03pm (b) 8.59am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	46	13	27
Corporations, Dominion and Foreign Bonds	5	0	16
Industrials	332	247	967
Financial and Properties	181	98	462
Oils	22	20	49
Plantations	2	0	8
Mines	16	41	95
Others	83	26	93
Totals	687	445	1,717

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or-
[illegible]							

TRADITIONAL OPTIONS

● First Dealings Nov. 12
● Last Dealings Nov. 23
● Last Declarations Feb. 21
● For settlement March 4

For rate indications see end of London Share Service

Calls in BET, Ford Seller Morris Props, Erskine House, Oliver Res., Premier Cons. and Tusker Res.

LONDON TRADED OPTIONS

THE uncertainty over sterling's fall restrained the futures and options markets yesterday. The list of active share options was headed by Racal Electronics, which traded 10,532 contracts, nearly five times as many as its nearest rival. Tullett & Tokyo, which claimed around one third of yesterday's business in Racal, commented there were fears that the unexpected plan to demerge Racal Telecom might prompt heavy selling from the US, where 130m shares are held. Substantial selling was seen yesterday of the Racal Electronics February 200 series, with most of the market's largest securities firms active in the options market.

Next in the list of active issues was STC as investors pondered whether the Racal developments had any significance for the rest of the electronics industry, and in particular for the £1.9bn bid for STC from Northern Telecom of Canada. Trading volumes fell away sharply after these leading names.

Other active option contracts included the Euro-FTSE, which recorded 1,507 contracts, British Steel, 1,139 in the wake of the trading statement, GrandMet, 909, and British Telecom, 891 contracts as the market considered the implications for the group of the Racal plan.

The December FT-SE futures contract had to struggle against the trend of a market unhappy with the dip in the pound, which cast doubts over prospects for a cut in domestic interest rates. For most of the day, the Footsie future was barely at a premium to its fair value level. Some progress was made late in the day, however, when Wall Street came in with a strong rise in London trading hours. The final reading showed a premium of 12-15p above fair value, which currently stands at about a 29 point premium to the underlying index.

The futures and options market is expected to respond today to New York and will await the outcome of the US Federal Reserve Board's Open Market Committee which is expected to consider a cut in US interest rates.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Trafalgar (*165)	160	20	23	27	15	23	28
	180	11	15	18	32	35	42
Utd. Biscuits (*310)	300	26	34	40	8	14	17
	330	11	19	25	25	30	32
Unilever (*624)	600	47	67	77	18	28	33
	650	22	40	52	47	52	60
Ultramar (*326)	300	40	48	57	6	10	12
	330	21	31	38	16	22	25
[illegible]							

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*59)	50	12	13½	16	2	5½	6
	60	5	9	11	4	8	10
Barclays (*346)	330	28	43	47	9	20	23
	357	13	–	–	21	–	–
Blue Circle (*204)	200	14	24	26	7	12	17
	220	5	14	17	20	24	29
British Gas (*216)	200	21	26	32	1½	5½	7½
	220	7½	13½	20	7½	12	14
[illegible]							

Wardle Storeys recovers with 53% rise to £11.1m

By Jane Fuller

WARDLE STOREYS, the plastic fabric and safety equipment manufacturer, mounted a recovery in the year to August 31, increasing pre-tax profit by 53 per cent to £11.08m.

The improvement, which partly reflects the dent put in the previous year's figure by a £1.98m stock devaluation, was made on a 4 per cent turnover increase to £80.43m (£77.35m).

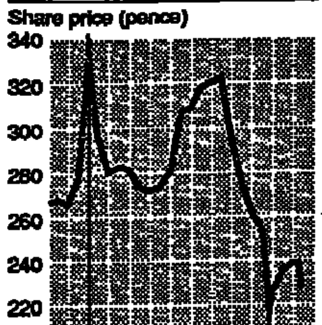
Wardle added £1.5m to its cash pile during the year, taking the war-chest for potential acquisitions to more than £30m. The share price shed 11p to close at 228p.

In the technical products division, operating profit was flat at £5.73m (£5.71m) on sales of £59.82m (£59.04m). Mr Brian Taylor, chief executive, said the second half contribution of £3.2m showed a considerable recovery thanks to stronger management and improved financial controls.

But Mr Taylor warned that as the division sold 75 per cent of its products in the UK, this year would be a struggle because of recession. He also said that efforts to export were not being helped by the "ridiculously high exchange rate" following entry into the European Monetary System.

Wardle Storeys

Share price (pence)



In the safety and survival equipment division, operating profit shot up to £1.78m (£446,000).

Earnings per share for the year just ended rose to 29.8p (19.1p). A recommended final dividend of 11p makes a total of 15p (14p).

● COMMENT

It was a year for restoring credibility after two failed hostile bids (for Chamberlain Phipps and Armstrong Equipment) in 1987 and late 1988, followed with unseemly haste by profit warnings and an ultimate halving of pre-tax profit in 1988-89.

The *mea culpa* response involved a freezing of directors' pay and various departures. These results show that the improved disciplines have made an impact, although the recession means it will be a long time before pre-tax profit surpasses the £16.5m record set in 1987-88.

Indeed, the twin pressures of falling volume and higher raw material costs in the technical products division spell difficulty in emulating £11m.

Interest received may also be reduced by falling rates and acquisitions, even though uncontested ones would be welcome for the long-term picture.

Profit forecasts for the year range from £9.5m to £11m, giving a prospective multiple of between 8 and 9.

The price, supported by yield and cash, is unlikely to go anywhere in the short term.

Mid Kent criticises government move

By Andrew Hill

MID KENT Holdings, a water company based in the south-east of England, yesterday criticised government attempts to force a large French shareholder to cut its stake in the group.

In July, Mr Nicholas Ridley, then trade and industry secretary, said Compagnie Générale des Eaux, France's largest water supplier, should reduce its holding from 29.9 per cent to a maximum of 19.5 per cent, following a Monopoies and Mergers Commission report.

Mid Kent, which also announced a 6 per cent increase in annual pre-tax profits yesterday, said it was trying to convince government agencies that such a move "would be contrary to the interests of [the company] and its shareholders".

The MMC would have been satisfied with guarantees from Générale des Eaux that it would not interfere with the running of Mid Kent and would not vote more than 19.5 per cent of the equity. But Mr Ridley wanted firmer action to protect the public interest.

Mid Kent made £6.36m before tax in the year to September 30, compared with £6.01m. Earnings per share rose to 27.1p (26p) and a final dividend of 4.5p was proposed, adding to first and second interim dividends of 3p each.

A sitting duck in the far-off oilfields

Steven Butler on the problems which have beset Richmond Oil and Gas

RICHMOND OIL & Gas is a sitting duck for any predator, according to Mr David Wilkinson, co-managing director.

With Richmond's current share price at 88p, the market value of the exploration and development company is just £80m. That is £11m less than before a recent £31m cash injection.

Indeed, Girozentrale Gilbert Eliott, the company's stockbroker, says Richmond has a net asset value per share of 492p. It has repeatedly raised the assessed value following increases of Richmond's oil and gas reserves. The business is based on bringing into production a large number of relatively low risk gas wells that produce slowly over a long period in the US southwest.

The lessons of what has gone wrong at Richmond are unclear. Mr Wilkinson maintains that a substantial cash flow based on the company's US oil and gas production will come on stream in a few months and that any lingering doubts about the business will be cleared up.

Until that happens, however, Richmond is certain to remain a symbol, whether deserved or not, of the risks of investing in far-away US oil and gas ventures – particularly when the company involved has no track record.

Richmond has had a rough ride since it was floated on the London Stock Exchange 16 months ago in a spectacular flop. At that time only 12.2 per cent of the £21m offer to the public was taken up, with the balance left with the underwriters. The shares finished the first day of trading at 62p, compared to an offer price of 105p.

However, the original promoters of the company, who retained 69.2 per cent of the equity and paid for their shares at 10p each, did not do badly. Mr Wilkinson says that about half of the original shareholders sold out as soon as trading began – hardly a sign of confidence.

Eventually, Richmond's share price climbed as high as 173p – allowing the institutions that had sub-underwritten the issue to get out with only bruised pride.

In the meantime, a number of institutional investors had joined the share register. Gartmore Investment, Globe Investment Trust, the TSB Group, and Scottish Amicable each hold a declarable stake.

Boasting a strong share price, Richmond went to the market again in October with a £31m rights issue, all of which had been placed at 125p pending an offer to shareholders. On announcement of the issue, however, Richmond's shares fell immediately from about 140p to 120p and stayed there.

The lessons of what has gone wrong at Richmond are unclear. Mr Wilkinson maintains that a substantial cash flow based on the company's US oil and gas production will come on stream in a few months and that any lingering doubts about the business will be cleared up

Mr Wilkinson says there was a single unidentified seller at 119p who kept the price from going up.

"You can get paranoid about these things," he says.

The issue was further undermined when Gilbert Eliott told the underwriters, County NatWest, that six companies backed by one investor had apparently reneged on a commitment to take the shares. It is now unclear whether firm commitments to accept the placing were received or not, and the identity of the individual has not been disclosed – although there is no lack of finger-pointing rumours. Litigation could ensue.

Some in the City say the affair has yet again raised questions about County NatWest's judgment and reflects desperation in the City to bring in corporate work. Others believe County was really blameless and that it had no reason not to accept Gilbert Eliott's assurances.

Mr Wilkinson and co-managing director Mr Michael Hogue have borrowed £2.8m from County to buy from Gilbert Elliot trale about half of the 4.5m shares left with the brokerage. Meanwhile, County is stuck with 5.5m shares which were refused by placees who were given the chance to back out.

Mr Wilkinson is convinced he will be vindicated in the end and has several explanations for at least some of the company's troubles.

He says a number of city analysts have been hostile to the company, as has much of the press. He also blames a lack of understanding of US oil and gas operations, and the lingering suspicion of such operations after many US ventures in the early 1980s came to grief for London investors. There may also be an element of personal jealousy or vendetta, he says.

"There have been people who have tried to kick the people and to denigrate the company, and the reserves it holds," he says.

Some of this is certainly true. Some analysts were bothered by the valuations placed on some of the properties, compared to the purchase price.

Interests in oil and gas leases on the Panhandle properties in Texas, for example, were purchased for about $2m in May 1989 and independently valued a month later at $30m. The valuation of these and other assets underpinned the original flotation price. Although additional funds would eventually be paid to the sellers in the form of royalties, Richmond appeared to have bought assets at an impossibly cheap price and sold them almost immediately to the City much dearer. This raised eyebrows.

Mr Wilkinson was associated with Butte Mining and Far Eastern Resources, start-up resource companies which have proved to be fairly disastrous for investors unless they sold out a few months after their flotations when their share prices collapsed.

Mr Wilkinson also acknowledges that there was criticism that Corporate Broking Services, where he was a director, was paid £250,000 for handling Richmond's original flotation. Indeed, all of the original promoters of the company, including Mr Wilkinson, did extremely well on their original investment.

None of this, of course, means that Richmond was an unattractive investment at the original or the rights issue offer price.

Nonetheless, the questions have persisted. Some analysts seem to have trouble accepting the findings of a report evaluating Richmond's recent acquisition, the Johnson Ranch, even though it was conducted by an independent consultancy, Williamson Petroleum Consultants, according to what is says were Society of Petroleum Engineers' standards. Williamson did not use SPE definitions of proved reserves, although the language appears broadly compatible.

There is also concern over the failure of the company's cash flow to meet projections in the original offer document. An illustrative cash flow in the document, for example, put 1990 oil and gas revenues at $9.65m. In the event turnover came to just $572,000 – a shortfall of 94 per cent. This is potentially worrying because the value of oil and gas in the ground depends on timely production.

Mr Wilkinson admits the company's drilling programme in the US was delayed, but he says this was done in the best interest of shareholders.

Instead of pursuing a rapid drilling programme on the Panhandle properties, Richmond was able to clear up a tangle of litigation involving the Brent Ranch and in the process acquire clear title to 120 shut-in wells for $5m.

After spending $20,000 a well to bring them back to production, Mr Wilkinson calculates the company will have spent only half the amount needed to drill a similar number of fresh wells.

"But it has delayed the cash flow," he says.

He adds that that should come in in the coming months. In the meantime, he wants to get more people out to see the operation on the ground.

"The people who have been out to see it are comfortable that they are getting the best deal they can get," he says.

Trevor Humphries

Mike Blackburn: pleased by the jump in non-interest income

Leeds Permanent beats rivals with 23.7% gain

By David Barchard

PROFITS AT Leeds Permanent, the fifth largest building society, rose by 23.7 per cent in the year ending September 30 to reach 171.3m.

Coming amid a deeply depressed housing market, the results were hailed as remarkable by stockbrokers' analysts who pointed out that Leeds Permanent had also outperformed most of its competitors last year.

The increased profits were achieved despite a charge against bad debts of £19.9m, up from £2.2m in 1989, reflecting a much higher level of defaults and repossessions than in previous years.

The cost-to-income ratio of the society dropped from 53.5 per cent to 46.3 per cent. The improvement, which brings Leeds Permanent into line with the industry as a whole, was achieved through the closure of 60 branches during the year and a reduction of 273 in the society's workforce to 4,354.

The society's gross mortgage lending fell by 23.4 per cent to £2.56bn and net lending was down by 37 per cent to £1.36bn.

However, there was a 5 per cent increase in savings deposits held by the society which rose to £1.33bn.

Mr Mike Blackburn, chief executive, said he was most pleased by a jump in non-interest income from £70m to £90m. "This really shows that we have an increasing facility for cross-selling financial services products to our customers," he said.

Receivers sell Coloroll's crystal glassware arm

By Alice Rawsthorn

THE RECEIVERS of Coloroll, the consumer products group which went into receivership in June, yesterday announced the sale for an undisclosed sum of Edinburgh Crystal, its crystal glassware division.

Edinburgh Crystal was the last sizeable Coloroll subsidiary left in the hands of Ernst & Young, the receivers. Ernst has sold 10 of the old Coloroll companies as going concerns since the collapse. Most have been sold to teams involving their managements.

Some of the Coloroll companies have been closed. There are still a number of small businesses left to be sold. But, after yesterday's disposal, Ernst has completed all the major sales.

The receivers did not disclose the amount raised from the disposals. However, the final tally is expected to be well below the £300m or so of debt left after Coloroll's collapse.

Edinburgh has been sold to a new company formed by Caledonia Investments, the investment company, together with Edinburgh's senior management team. Caledonia is the majority shareholder in the new company.

Edinburgh, which owns Thomas Webb crystal as well as its eponymous Edinburgh Crystal brand, is one of the largest crystal glassware manufacturers in the UK. It has annual sales of £20m.

In future, production will be concentrated at Edinburgh's plant in Penicuick, Lothian. The plant at Stourbridge in the West Midlands will be closed. Some Stourbridge employees will be able to relocate to Scotland. The rest will be made redundant.

Mr Bill Soutar, Edinburgh's managing director and leader of the buy-out team, said the business had emerged from "five months of receivership in relatively good trading order".

WOULD YOU ASK AN AMATEUR WHICH ONE TO CHOOSE?

UK COMPANY NEWS

Not playing the generation game

Juliet Sychrava on the distinctive strategic strengths of Manweb

MR BRYAN Weston, Manweb's chairman, takes a long view. He will, he says, wait and see how the electricity industry settles down before making too many decisions.

"If you don't get the big picture right, you can't hope to fit yourself into it."

Strategy is Manweb's strength: talk around the board table is more typical of a US management consultancy than a regional electricity company. The decision not to invest in generation, and its view on the possible restructuring of the electricity industry are evidence of its distinctive strategy.

"We often retreat for more than two days to ask the question: where are we going?" says Mr Weston. "A lot of change has been driven by analytical planning."

Pro-forma profit forecasts published in the pathfinder prospectus are for £48m pre-tax and £39.9m post-tax profits on a historic cost basis, with a total dividend payment of £19m.

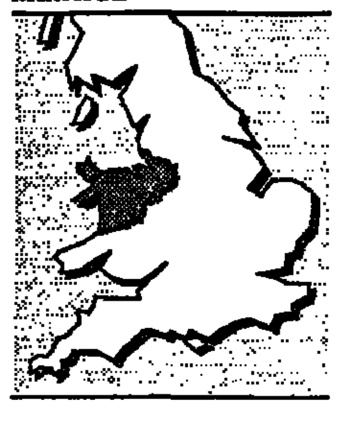
This gives it the ninth largest pre-tax profit and dividend pay-out of the 12 electricity suppliers.

The company, which can increase the variable component of its prices to customers by 2.5 per cent, a higher factor than any other regional company, expects its distribution business to grow.

"If we can drive the business harder, that will give us real earnings growth," Mr Weston says.

The regional economy is a mixed bag: Merseyside and much of Wales are still depressed despite some recovery, while Cheshire and north-east Wales are growing above the national average. Sales growth of 2.4 per cent over the last five years was dominated by increases in demand from Manweb's industrial customers. The industrial sector accounts for more than 50 per cent of total sales, with Imperial Chemical Industries accounting for 25 per cent of that.

Manweb



Bryan Weston: much change driven by analytical planning

Customer breakdown of sales	Manweb(%)	Industry(%)
Domestic	26.2	34.4
Commercial	17.2	25.9
Industrial	54.3	36.7
Other	2.3	3.0

Source: UBS Phillips & Drew

Manweb is untroubled by the prospect of losing industrial customers to other suppliers. "If you run a supermarket," says Mr John Roberts, finance director, "it doesn't matter if you sell own-brand products or other people's, as long as your shop is full of customers."

Instead, the company intends to exploit its close relationship with industry. It already manages ICI's electricity demand for specific chemical processes, and Mr Colin Leonard, Manweb's power marketing director, has closely-guarded plans for similar arrangements with larger customers. "It's all about added value," he says. "It's probably more profitable taking a management fee than it ever was just selling electricity."

He also believes he can cut risk in buying and selling electricity. "We are looking at the possibility of hedging contracts with other companies besides the generators."

Manweb is well placed to effect the kind of imaginative planning it considers critical. Its distinctive corporate structure, put into place as long as 18 months ago, reflects the company's strategic thrust: a separate corporate services business sells its expertise to the three business divisions.

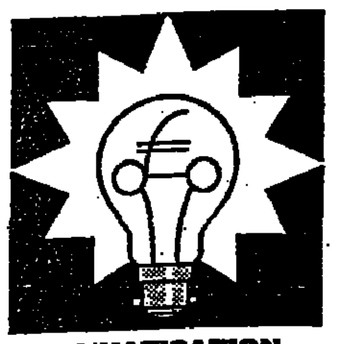
Financial and information systems were overhauled, too. "We brought in consultants and asked them to look at all our information systems, which are the key to the business," says Mr Roberts. "Then we recruited a financial controller, gave him the report, and told him to go ahead and implement it." Streamlined internal financial systems now send data and analysis at high speed around the company.

Manweb is proud of its organisational grip: it has met all the financial objectives of the Department of Energy on schedule, and reached early agreement on its capital structure and privatisation terms.

Both Mr Roberts, who spoke on behalf of all the regional companies at the launch of the pathfinder prospectus, and Mr Weston played a prominent part in the privatisation working parties. Both men are articulate and thoughtful about the industry: Mr Weston, who is also cheerfully outspoken, is not afraid to stand apart from the pack.

He has done exactly that on the question of electricity generation: Manweb is unique among the 12 regional companies in its opposition to investment in generation. Not only does Mr Weston believe that he can earn a better return elsewhere, he thinks other regional companies are being short-term, even naive.

Why sign contracts to take power from generating projects, he says, when you have no idea what the price of electricity will be in the future? Regional companies are being used in such schemes to ensure demand for the project, he believes. "We're quite happy for everyone to set up generating projects, and then we'll buy competitively from the pool."



PRIVATISATION

Manweb has also taken a cold hard look at its "Cinderella" distribution business. Diversification is out. "It's a mature business," Mr Weston admits, "but it's a cash-generative mature business most people would give their right arm for."

After visiting a range of US utilities, he said, he had concluded that diversification didn't work. "We have to do what we do but better, and wait until we see what happens in the market."

What Manweb does then could well be worth waiting for. "Just let's say we could still be a boring distribution business, but we could be twice the size," hints Mr Weston, who has said in the past that he sees no reason why the distribution industry should retain its present 12-company structure.

This is the sixth of 12 profiles of the regional electricity companies that have so far appeared in the FT on Tuesdays. From now on, a profile will also be published every Friday.

NEWS DIGEST

Bridport falls 45% to £0.6m

Bridport-Grundy, a specialist netting, thread and webbing manufacturer, reports taxable profits down 45 per cent from £1.04m to £578,000 in the year to July 31, as forecast.

Turnover fell to £31.52m (£35.1m) mainly because of a moratorium on defence activities, difficult conditions in fishing and high interest rates.

However, turnover of the core activities rose 16 per cent, with civil aviation showing an increase of 64 per cent.

As commercial fishing business has been disposed of in Seattle and halted in Nova Scotia, a £1.78m extraordinary provision has been made for trading and other losses.

Mr Pat Darnley, the chairman, said: "Recent divestments and and closures are now enabling us to reshape the group, simplifying the structure and significantly reducing costs."

Interest charges took £829,000 (£836,000), tax totalled £219,000 (£530,000). Earnings work out at 3.41p (5.05p) per share. A 1.9p (5.1p) final dividend is recommended, making a total of 3.8p (7p).

Moran Holdings returns to black

Moran Holdings, which has interests in tea estates, property and freight forwarding, has returned to the black in the year to June 30.

The group reported pre-tax profits of £225,000, against losses of £1.18m, on turnover increased to £32.93m (£27.66m). After tax of £475,000 (£497,000), the losses per share were reduced to 8.63p (27.56p). After a passed interim dividend (1p), a final of 1p (nil) has been recommended.

The joint property development in Manchester with Trafford Park Estates has progressed with the initial sales being made in July and maintained since. The freight forwarding and travel operations reversed their losses of last year and greater profits from the tea production and manufacturing operations have stemmed from materially improved price levels, especially in India.

Hicking Pentecost recovers to £0.42m

Hicking Pentecost, the textiles and specialist forgings group, increased its profits from a depressed £153,000 to £420,000 pre-tax for the half-year ended September 30.

The results benefited from the rationalisation and cost reduction programmes introduced during the past financial year. For the second six months of that year the group ran up a loss of £1.84m.

Turnover for the period under review totalled £9.81m (£11.15m). Profits were struck after taking account of interest payments of £394,000 (£273,000) and exceptional costs of £127,000 (nil).

Earnings emerged at 5.26p (2.24p) and the interim dividend is being increased to 0.6p (0.5p).

During the half-year all divisions traded profitably and the full benefit of the acquisition of Forgemasters (Holdings), completed in July, should be seen in the second half. Order books are at record levels.

Amer Business profits up 17%

American Business Systems, the USM quoted company which operates in the US, reported pre-tax profits up 17 per cent from £3.98m to £4.65m for the six months to September 30 on turnover that improved from £40.34m to £48.33m.

Mr Mark Vaughan-Lee, chairman, said the decline of the average dollar exchange rate against sterling by 10 per cent during the period had disguised the operating achievement which was to increase turnover and pre-tax profits, measured in US dollars, by 31 per cent and 28 per cent respectively.

During the six months the company completed five acquisitions for a combined cost of $4.5m, which was financed by Danka, the group's operating subsidiary, out of its own resources. These acquisitions added a further eight outlets to Danka's branch network, bringing the total number to sixty. The chairman said that current trading remained strong and that the group was benefiting from its growing level of supply and service revenue.

After tax of £388,000 (£322,000) earnings on the 5p ordinary were up from 9.7p to 11.3p and the interim dividend is raised from 0.8p to 1p.

RPH steady £55.7m at six months

RPH, part of Reed International publishing group, has reported pre-tax profits steady at £55.7m, against a restated £53.9m, for the six months to September 30 1990.

Turnover eased to £266.5m (£278.9m), mainly because of the absence of Butterworth, whose trades and assets were sold in April. Tax took £19.5m (£18.9m) and earnings were at 21.3p (24.8p) per share.

In the period Reed Business Publishing's advertising revenues fell by 11 per cent. However, its impact on profits was offset by a six month contribution from TV Times, against four months in the prior half-year.

The 1989 half-year results have been restated to reflect the acquisition of the trade of the Independent Television Publications.

Essex Furn up 7% in first USM year

Essex Furniture, the manufacturer and retailer of upholstered furniture, yesterday announced pre-tax profits up 7 per cent to £532,000 in its first full year results since obtaining a quote on the USM last September, writes Andrew Jack.

The company has opened two new stores during the year, bringing the total to six, and is currently planning two further outlets in southern England under the name Furniture Workshop.

It said it will be offering shareholders with a minimum of 2,500 shares a discount of 10 per cent on its normal retail prices during 1991.

Mr Michael Franks, chairman, said Essex Furniture is "continuing our successful pattern of producing to order rather than having too much money tied up in costly stock."

It reported a modest rise in turnover to £3.36m (£3.01m) in the year to June 30. Earnings per share fell slightly to 4p (4.57p) as a result of the USM placing. The directors are recommending a final dividend of 1p, for a total of 2p on the year. Pre-tax profits last year were £499,000.

Audax Props moves back into the black

Audax Properties announced pre-tax profits for the six months ended September 30 1990 of £192,000, compared with a loss of £82,000 for the corresponding period.

The board said that the commercial property market is extremely tough at present with very few buyers at the low yields which developers need, but they pointed out that well-let investment properties, offered at yields which are truly competitive with gilts and equities and from a realistic rental base, are still in demand.

Net revenue from properties in the period was up from £751,000 to £915,000; net interest, although lower, took £714,000 (£797,000). Tax took £67,000 (nil) leaving a profit for the period of £125,000 (£82,000 loss).

Malvern assets down by 13%

Net asset value per 10p share of the Malvern UK Index Trust, which was created following the offer by British Coal Pension Funds for Globe Investment Trust, totalled 87.98p at September 30, a fall of 13 per cent.

The trust obtained a listing on August 6. No dividend is being paid for the period but the board expects to pay two interim dividends, in February and August, next year and recommend the payment of a final payable in April 1992 in respect of the next accounting period which will run for 15 months to December 1991.

Some 2,500 former shareholders of Globe opted to take shares in Malvern in exchange for their shares in Globe.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- AAH Holdings, Ambrose Investment Trust, Body Shop International, De La Rue, East Surrey Water, Govett American Endeavour, Great Portland Estates, Heath (CE), London International, Manthella, Meyer International, Sonic, Unigate, Warburg(SG).

Finals- Metro Radio.

FUTURE DATES

Interims-

BSS	Dec. 11
Black Arrow	Nov. 23
Brown Shipley	Nov. 21
CML Microsystems	Nov. 20
Cape	Dec. 4
Castings	Nov. 29
Cater Allen	Nov. 15
Charter Consolidated	Dec. 11
City Of London PR	Nov. 22
Erskine House	Nov. 20
Golden Hope Plants.	Nov. 21
Goldsmiths	Nov. 19
JF Fledgeling Japan	Nov. 20
Readicut Intl.	Nov. 21
Regina Health & Beauty	Nov. 23
Rothmans Intl.	Nov. 22
Skatchley	Nov. 21
Smith New Court	Dec. 6
Southnews	Nov. 27
Tie Rack	Nov. 20
UPL	Nov. 16
Vibroplant	Nov. 28
Wellman	Dec. 6
Wilshaw	Nov. 16

Finals-

Clyde Blowers	Nov. 14
Five Oaks Invs.	Nov. 14
Glasgow Income Trust	Nov. 19
Govett Atlantic Inv.	Nov. 22
Radio City	Nov. 27

UK COMPANY NEWS

BOC growth slows to 6% due to healthcare arm

By Clare Pearson

PRE-TAX PROFITS growth virtually ground to a halt at BOC Group, the industrial gases and healthcare company, towards the end of the last financial year.

This limited the improvement for the 12 months to September 30 to £354.3m, a 6 per cent increase on last time's £333.4m.

Earnings per share came out at 51.28p (48.17p), after a slight decline to 14.1p (14.34p) during the final quarter. Turnover, including BOC's share of related companies, advanced to £2.8bn (£2.61bn).

These results were broadly in line with City expectations. But the shares eased 8p to 462p in disappointment at the level of the annual dividend, which BOC announces at the start of each financial year.

It said it would increase the 1990-91 payment by 7 per cent to 20.4p, to be made in two equal instalments in February and August.

In his chairman's statement Mr Richard Giordano said: "In the UK and the US, growth in both GDP and industrial activity – important bellwethers of the prosperity of our business – slowed from high levels in September 1989 to their current levels of near-stagnation."

However, he added yesterday that BOC was "by and large, entering the current year with a fairly robust performance", thanks to the dominant industrial gases business. There the balance of supply and demand around the world appeared to be "tighter than it has been for some years", he said.

During the year under review, BOC's gases division had seen demand continue to grow, although at slower rates than in 1989. Volume growth in the US stood at 4-5 per cent, but continued at "double digit" levels in Asian areas.

Operating profits of the gases and related products division grew to £300.5m (£278.4m) during the year on a 12 per cent increase in turnover to £1.97bn (£1.77bn).

But the second biggest division, healthcare, presented "continued frustrations", Mr Giordano said.

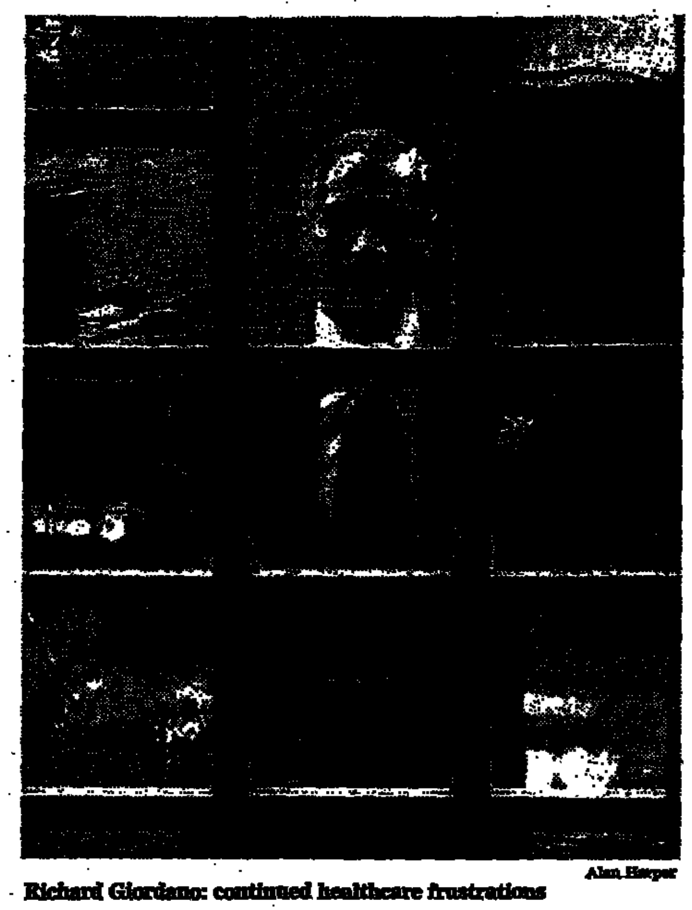
Conditions are particularly bad in the US where Glasrock Home Health Care made an operating loss as it was being hit by stringent cost control measures being carried out by the US authorities.

Ohmeda, which manufactures critical care products, made an operating loss. The one bright spot was the anaesthetic pharmaceuticals business which produced "outstanding" results.

Operating profits in the vacuum and distribution services division edged up to £38.7m (£37.6m) on £257.9m (£245.3m) sales.

Capital expenditure was £380m. Of this, £330m went into gases, with Asian-related businesses taking a increasing share. A further £75m was spent on acquisitions.

See Lex



Alan Harper

Richard Giordano: continued healthcare frustrations

Asil Nadir faces threat of bankruptcy

By Clay Harris and Richard Waters

MR ASIL NADIR, chairman of Polly Peck International, today faces the threat of losing control over his financial affairs through the appointment of a receiver in bankruptcy.

The bankruptcy petition against Mr Nadir is brought by Barclays de Zoete Wedd and supported by Lehman Brothers International. BZW says it is owed £3.6m and Lehman £18.5m for purchases of Polly Peck shares in early September, in transactions which Mr Nadir never settled. A third broker, Carr Kitcat Aitken, is believed to have handled dealings worth £13m for Mr Nadir.

Mr Christopher Morris, the administrator appointed to deal with any claims made against Mr Nadir personally, is expected to spell out the position after the hearing.

It is thought unlikely that Mr Nadir would be successful if he were to apply for an extension to allow him more time to rearrange his affairs. BZW's application to bring the hearing forward to today was approved last week.

That leaves three options: Mr Nadir must prove that the debts do not exist or that he has paid them, or he must pay them today. Failure to do any of these would lead to the appointment of a receiver in bankruptcy, who would take over responsibility for all of Mr Nadir's financial affairs.

One of the two brokers said yesterday that the payment of part of the debts, and a promise to pay the rest, was unlikely to be sufficient.

● Sir Patrick Mayhew, the attorney general, said yesterday that the Serious Fraud Office did not give the press advance notice of its search of Polly Peck's offices on October 30. In written answers to questions from Mr John Taylor, an Ulster Unionist MP, he also said the SFO enjoyed the co-operation of the administrators and that one SFO employee, of 132, was of Greek Cypriot origin. The individual was not involved in the Polly Peck investigation, he said. According to the register of MPs' interests, Mr Taylor owns two cottages in northern Cyprus.

BET slips to £137m as borrowings soar 42% to £617m

By Andrew Hill

DELAYS in disposing of non-core businesses, and late payment by customers pushed up BET's borrowings by 42 per cent in the first half of the year, from £434m at the end of March to £617m on September 29.

The cost of maintaining such a high level of debt depressed the services company's interim profits, which fell from £145m to £137m before tax. As gearing rose to 122 per cent, interest payments almost tripled to £38.1m (£13.7m).

BET's shares fell 8 per cent following yesterday's news, from 181p to 166p.

The group has also decided to take Boulton & Paul off the market, having failed to receive any acceptable offers for the joinery and kitchen unit subsidiary. It will be sold when market conditions improve.

Anglian Windows, another non-core subsidiary put up for sale earlier this year, should be sold to a group of managers and institutional investors, led by Legal & General Ventures, while BET hopes to sell its 28 per cent stake in Thames Television before the end of the year. The group has already received £16m for the non-personnel business of Hestair, which it bought at the beginning of the year.

Operating profit from non-core operations almost halved to £14m (£27m), although the core activities – which include distribution, cleaning and construction services – pushed up their contribution from £130m to £161m.

Although BET's revenue increased from £1.25bn to £1.46bn, earnings per share slipped from 12.6p to 11.7p. The group declared an interim dividend of 4.25p (4p).

Mr Nicholas Wills, chief executive, said yesterday: "We now need to demonstrate that BET is cash-generative in a downturn."

Acquisition and capital spending totalled £166m (£234m) in the first half, but Mr Wills said the company was clamping down: "We have now severely tightened our controls from the centre. Capital expenditure has been frozen except with my personal sanction and we are determined to reduce spending by a further £100m in the second half."

He said the downturn was forcing companies to contract out packages of services, providing an opening for BET, but he added: "I never said we were recession-proof, I only said we were recession-resistant: we won't buck the trend, we just won't do as badly as others."

In the first half, industrial and commercial services increased operating profit from £56.2m to £83.8m, with the help of a £10.1m contribution from Hestair. Plant and construction services made £58.8m (£54.3m), despite the weakening construction market in the UK.

Operating profit at distribution services slipped from £19.9m to £18.5m, mainly because of a reduction in BET's share of the South African business, Unitrans.

See Lex

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Amer Business § ......int	1	Jan 23	0.8	-	2.4
Amersham Intl ......int	3.7	Jan 7	3.7	-	7.8
BET ......int	4.25	-	4	-	4.6
Bridport-Grundy ......fin	1.9	Jan 31	5.1	3.8	7
Brit Steel ......int	3	Jan 15	2.75	-	8.25
Essex Furniture§ ......fin	1		-	2	-
Hicking P'cost ......int	0.6†	Apr 2	0.5	-	2
King & Shaxon ......int	2.5	Dec 15	2.5	-	10.25
Manganese Bronze...fin	4.5	Dec 20	4	8	7.5
Moran Hldgs ......fin	1	-	nil	1	1
Wardle Storeys ......fin	11	Jan 10	10	15	14

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Astra's auditors criticised by small shareholders

By Richard Gourlay

STOY HAYWARD, the auditors, were yesterday sharply criticised by small shareholders at Astra Holdings, the munitions maker under investigation by the Department of Trade and Industry, for their role in the acquisition of a Belgian company in July last year which helped bring the company close to collapse.

Some shareholders at yesterday's annual general meeting called on Mr Roy Barber, non-executive chairman of Astra, not to absolve Stoy Hayward and PaineWebber, its financial advisers, for their roles in the July 1989 rights issue which financed the acquisition of PRB in Belgium for £22m. When the Belgian company closed earlier this year Astra's new board, which was brought in after the intervention of institutional shareholders, made a provision in the accounts to end-March of £18m covering PRB's closure.

Shareholders will be voting on the reappointment of Stoy Hayward as auditors at an extraordinary general meeting on December 12.

Last month PaineWebber lost a High Court motion to force Astra to make a payment of £500,000 for its role as financial adviser at the rights issue. Astra will now be able to enter a defence, part of which is a counter-claim that PaineWebber did not perform its duties as financial adviser.

Mr Barber said yesterday that he was working with lawyers to establish whether a legal case against advisers involved in the rights issue was commercially in Astra's interest.

Some shareholders at yesterday's meeting claimed there was an unusually high volume of trading in the shares ahead of the rights issue last year.

The DTI is investigating the circumstances surrounding the rights issue and the acquisition of PRB and is expected to report late next year.

US group pulls out of deal to buy Clermont

By David Churchill

Bally Manufacturing, the US gambling and leisure group, has pulled out of a £30m deal to buy the Clermont Club casino in London from the Rank Organisation.

Bally had originally agreed to buy the Clermont from Mecca Leisure as part of that company's plans to reduce its gearing through asset disposals. However, now that Bally has pulled out of the deal because of its own financial problems, it is unlikely that Rank will actively seek a new buyer for the casino.

●Stakis announced yesterday that it had acquired the Barracuda Club, based in London's Baker Street, for £11.5m. This follows the discharge of the injunction against Leisure Casinos by Slotlogic, a subsidiary of London Clubs, the former gaming division of Grand Metropolitan.

This acquisition brings to 19 the number of casinos operated by Stakis.

Butte Mining runs into losses of £1.37m midway

By Kenneth Gooding, Mining Correspondent

BUTTE MINING, the London-listed company with interests in Montana in the US and Staffordshire in the UK, suffered a taxable loss of £1.37m in the six months to the end of June compared with a £193,000 profit in the same period last year.

The loss in part was attributable to the start-up of the company's Rainbow mine in Butte last October so that production costs are no longer being capitalised as development.

In addition, there were currency exchange losses of £557,000 in the half-year compared with a £204,000 profit in the first half of 1989.

Australian authorities have given approval for Butte to go ahead with its previously-announced all-share offer for two junior Australian gold mining companies – VAM and Perserverance Corporation – worth A$71.14m (about £31m).

If successful, the offer would result in a medium-sized group producing about 65,000 troy ounces of gold a year.

If the Australian acquisitions are completed, Mr Bill Hooley, 43, will be appointed Butte's chief executive in succession to Mr Alan Richardson, who will become non-executive chairman.

Mr Hooley, a mining engineer, previously worked for Dallhold Resources, Mr Alan Bond's family company in Australia, and will join from the Robertson Group in the UK where he is chairman of its minerals and mapping division.

Discussions about a potential joint-venture partner which would spend US$15m to $20m to earn an interest of up to 50 per cent in the Rainbow mine have been suspended until the conclusion of the Australian acquisitions, Mr Richardson reported.

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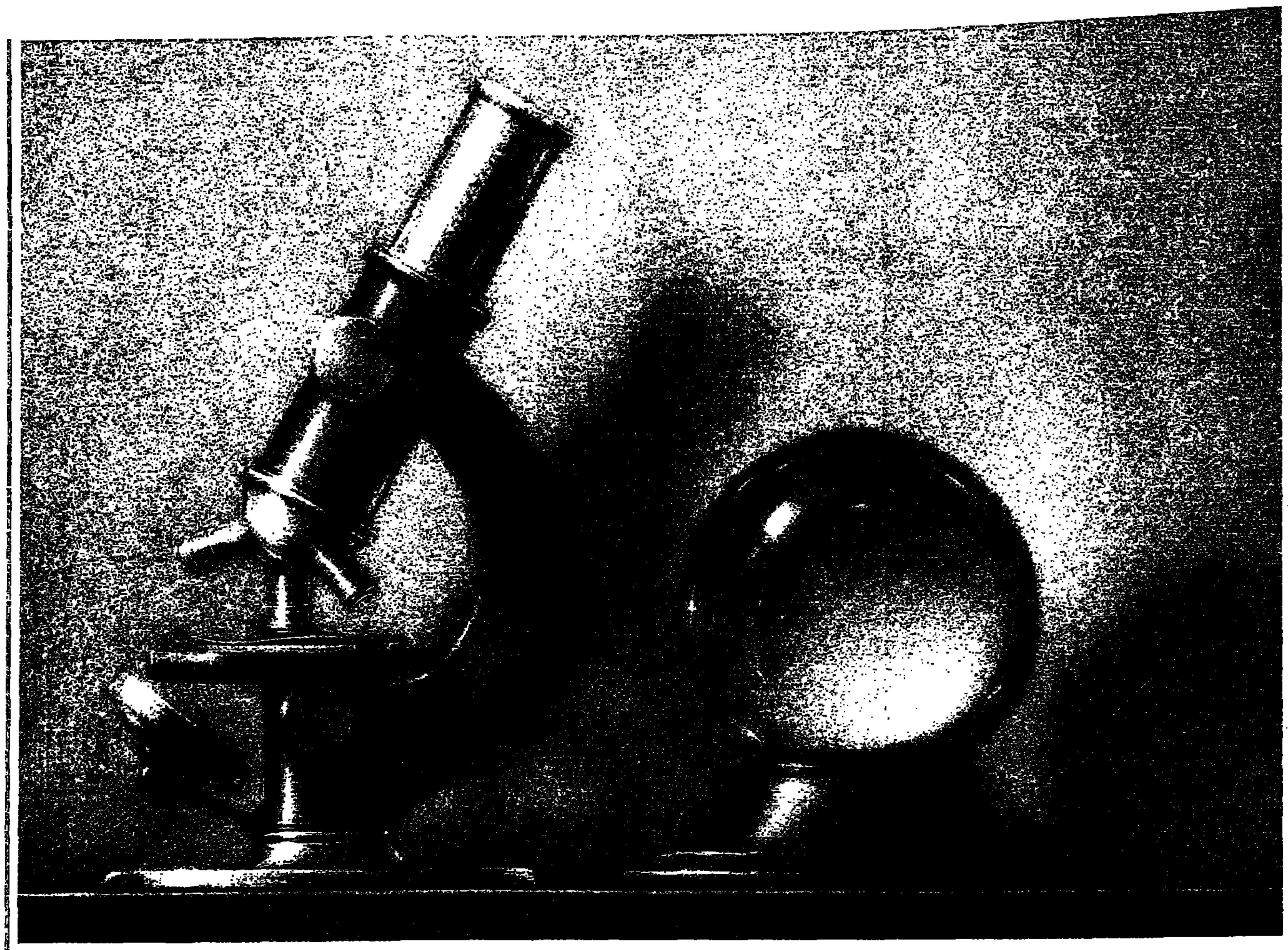

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UK COMPANY NEWS

Spurs warns of a plunge into the red

By Andrew Hill

TOTTENHAM HOTSPUR, the troubled company which owns the famous London football club, will report "a significant overall loss" for 1989-90, and is in breach of covenants on loans from Midland Bank.

The group warned it would plunge into the red in a letter to its long-suffering shareholders posted yesterday. The same letter alleged that Mr Irving Scholar, the club chairman, breached Companies Act requirements, Stock Exchange regulations and the articles of the club's holding company by concealing details of secret loan negotiations with Mr Robert Maxwell, the publisher.

A special report on the Byzantine affairs of the company by the lawyer Ashurst Morris Crisp, summarised in the letter, criticised Mr Scholar and the rest of the board. Mr Scholar, who resigned as a director of the company at the end of last month, owns 26 per cent of the company.

Yesterday, the Stock Exchange, which suspended Spurs' shares on October 19, reinforced the criticisms contained in the Ashurst report. The Quotations Panel said Mr Scholar's conduct "did not meet the standard expected from a director of a listed company".

Mr Scholar refused to comment on the report or the Stock Exchange statement, but it is understood he will resist any calls for his resignation as club chairman.

Terry Venables (left), Spurs manager, with Irving Scholar

In the letter to shareholders, the Spurs board accepted Mr Scholar had acted "with the benefit of legal advice and in the best interests of the company as he saw them".

Spurs revealed that although the club's results for the year would be up on 1988-89 – boosted by profits from player trading – most of the non-footballing activities, which include ticketing systems and fashion-wear, would report "substantial losses".

The Stock Exchange said it would only lift the share suspension once Spurs issued another circular including the company's results for the year to May 31, 1990, and produced "a satisfactory statement" of its future working capital requirements.

At the beginning of August, Mr Maxwell advanced £1.1m to Mr Scholar's private company, which then lent the same sum to Spurs – at a slightly higher rate of interest, but without security – so that the London football club could meet the final payments on transfer fees.

But Mr Scholar and Mr Derek Peter, then finance director, believed they could not disclose details of the negotiations – which included an agreement that Mr Maxwell should underwrite a £13m rights issue – to other board-members.

Ashurst criticised the board for authorising Mr Scholar to commit the company to agreements without the directors knowing the full details. The then chairman of the company, Mr Paul Bobroff, attended neither of the board meetings called to ratify the loan.

The Stock Exchange specifically endorsed one of Ashurst's recommendations, that Spurs should consider appointing another executive director and a permanent chairman.

Mr Douglas Alexiou, acting chairman of the company, said yesterday that Spurs would try to reopen negotiations with Mr Maxwell and added he believed a number of other refinancing deals had been put to the company's advisers.

Barclays de Zoete Wedd, Spurs' former broker, last night said it was not involved in any proposals to refinance the group.

Brent Walker's bankers set to sign tonight

By Maggie Urry

BRENT WALKER, the leisure group with high borrowings, yesterday dampened a sharp rise in its share price, by issuing a downbeat statement after reports that it had come to an agreement with its bankers.

The shares closed at 80p, up 2p, after reaching 98p in morning trading. Brent Walker said it was instructed to make the statement by the Stock Exchange following the press reports. The statement said the group confirmed "it is in discussion with its bankers".

Some took this to mean that there were still questions to be resolved between the company, which operates pubs, bookmakers, hotels and leisure complexes, and its banks.

Bankers said, however, that a meeting on Saturday had ended in agreement between the group and the 50-plus banks which have made loans.

The agreement involves a £30m cash injection and a standstill on capital repayments on its debt until the end of 1991. It also covered the possibility of a £50m payment having to be made to Grand Metropolitan, the subject of legal action by GrandMet.

This would be provided through a deal similar to one under which a £40m cash injection was made through a sale of pub freeholds to the banks, with an option to buy them back.

"There was nothing outstanding at the meeting on Saturday," one said, adding: "the only problem now is the legal and administrative logistics." Unless all the banks have signed the agreement by tonight a proposed £103.3m convertible bond issue, which is crucial to Brent Walker, could fail.

Shareholders are voting on the bond issue on Thursday. The banker said, "it is a very tight deadline but everybody is working to achieve it. All the banks realised the gravity of the situation."

He said there was still some debate over the group's covenants, particularly the group's desire to count the convertible bond as equity rather than debt when working out financial ratios.

The banks took into their calculations the sum of £50m which GrandMet, the drinks, food, pubs and restaurant group, is claiming from Brent Walker as the final payment on Brent Walker's £685m purchase of the William Hill betting shops.

Brent Walker has tried to cut the purchase price by £160m by claiming that William Hill's profits for 1988-89 did not meet an agreed figure and refused to make the £50m payment when it fell due in September. GrandMet then issued a writ demanding payment.

The two sides have agreed to refer the £160m dispute to an independent arbitrator who has yet to be appointed.

One banker said that the banks had been advised by lawyers that some provis ion for the £50m should be made.

THF to spend £23m on stake in Warsaw hotel

By David Churchill, Leisure Industries Correspondent

Trusthouse Forte, the UK's largest hotel group, has reached agreement with Orbis, the Polish tourist agency, to renovate the 208-room Hotel Bristol in Warsaw at a cost of £23.4m. THF says the agreement is the first hotel privatisation project in Poland.

THF will take a 55 per cent stake in the hotel and will manage it on completion of the renovation work.

The International Finance Corporation is providing the joint venture with a loan of £8.8m, with other finance coming from Poland's PKO State Bank and Austria's Creditanstalt-Bankverein.

THF's strategy for expansion in continental Europe has been to develop joint venture deals with established operators. It has agreed to expand its Travelodge chain in Spain and Ireland through joint ventures and is developing a Moscow hotel with the city's local authority.

First Leisure

First Leisure has exchanged contracts to sell nine squash clubs to Lingfield Group.

This follows the recent sale of two clubs in Leicester and London. The total cash consideration for these sales is £5.1m. First has now withdrawn from the squash business, except for one other club in London.

Bowthorpe spins off Hellermann Deutsch

By David Owen

BOWTHORPE HOLDINGS, the electronic components group, has further reduced its exposure to the defence sector by spinning off Hellermann Deutsch to The Deutsch Company, a long-time shareholder in Bowthorpe, in a deal valued at some £12.2m.

In exchange, TDC will surrender 6.9m of its 9.25m Bowthorpe shares for a nominal £1.The deal cuts its stake in Bowthorpe from 5.9 per cent to 1.5 per cent.

At yesterday's unchanged closing price of 177p, the market value of the shares would be £12.21m.

Bowthorpe explained the move by asserting that Hellermann Deutsch, which makes sophisticated plugs and sockets for military equipment, was "too small" to maintain its position in the defence market. and did not fit into overall group strategy.

The transaction includes Hellermann Deutsch's 22.7 per cent interest in France's Compagnie Deutsch. Bowthorpe's interim pre-tax profits of £23.72m included £706,000 in respect of Hellermann Deutsch and its share of Cie Deutsch's profits.

Bowthorpe also projected that full-year earnings per share would show an increase "in the order of 0.2p".

Rentokil in talks over a Wellcome subsidiary

By Andrew Hill

RENTOKIL, the environmental services and property care group, is talking to Wellcome about buying the drugs company's hygiene service business, Calmic.

Mr Clive Thompson, Rentokil's chief executive, said yesterday: "The principal attraction to us is that it [Calmic] is highly compatible with our own business. It would become a mainstream activity within our operations."

Both companies issued statements yesterday to forestall leaks of the news.

Neither would put a price on the subsidiary, but it could be worth between £20m and £30m, making it a comparatively large acquisition for Rentokil.

The environmental services group has had its eye on Calmic as a suitable acquisition for some time.

Mr Thompson said: "We are having serious discussions which, if they succeed, will result in our acquiring the business in the next month or so."

Rentokil's shares closed 1p higher at 210p yesterday and Wellcome's shares rose 4p to 457p.

Eurotunnel rights has mixed start

By Andrew Taylor, Construction Correspondent

Trading in rights to subscribe for new shares in the channel tunnel project began "briskly in Paris, but quieter in London" according to brokers yesterday.

The first day of trading saw the nil paid shares – to be issued by Eurotunnel in a £532m rights issue due to close on December 23 – open at 215p before slipping to 203p at the close.

The price of existing Eurotunnel units fell from 403p to 360p valuing the package of new and existing shares at almost 482p ex rights.

If the price of warrants to buy Eurotunnel shares is included the combined value rises to almost 508p.

Brokers said 1.3m Eurotunnel shares were traded in Paris yesterday but business was quieter in London.

Eurotunnel is offering three new shares at 285p for every five already owned.

Drayton Cons'd

Drayton Consolidated Trust had a net asset value of 541.2p per share at September 30, compared with 700p a year earlier.

Net revenue for the year rose to £5.95m (£5.2m). Earnings per share were 17.19p (15.01p) and a final dividend of 12.75p is proposed for a 17p (15p) total.

Manganese Bronze drops 17% to £4.7m

By Richard Gourlay

MANGANESE BRONZE, which makes London's black taxi cabs but also has a metal products division, yesterday announced a 17 per cent fall in pre-tax profits following a drop in margins and alleged fraud in one of its divisions.

Pre-tax profits for the year to end-July fell to £4.66m on turnover up 24 per cent at £83.8m, giving earnings per share down 5p at 18.14p.

The board recommended a final dividend of 4.5p and a total for the year up 6.7 per cent at 8p. The shares closed down 53p at 133p.

Turnover in the main vehicles division nearly doubled, but pre-tax profits fell 13 per cent to £2.68m. The company said it opened 35 new markets for its taxis partly because of the increase in local councils requiring the wheelchair carrying vehicles which Manganese Bronze makes.

However, profits in the Foundries division fell from £1.6m to £652,000 and the company made an extraordinary charge below the line for the closure of an engineering subsidiary to cover what it called "accounting discrepancies".

The closure of BS Engineering followed the dismissal of the managing director and the finance director of the foundries division after several hundred thousand pounds left the company, according to Mr Jamie Borwick, Manganese's managing director. The fraud squad is investigating.

Manganese also made an extraordinary provision of £541,000 to cover the closure of Taxifone, its cellular in-taxi phone business. The vehicles division also reorganised its parts business and faced a doubling of its redundancy costs to £300,000.

However, trading at the powder metals division looked more promising, Mr Borwick said. During the year the company acquired a German press which will help produce finer powders for the automotive industry and junction boxes for fibre optic cable makers.

● COMMENT

CH Industrials' sale of its 22 per cent stake in Manganese Bronze in July should have been the pin that burst the takeover speculation bubble but the share price defied gravity. Yesterday's 28 per cent share price fall shows the laws of Physics still apply, especially for small engineering companies in recessionary times and ones that have made large provisions for the closure of a subsidiary after alleged fraud. However, notwithstanding a deep recession, the bad news may now all be in the market. Taxi sales are looking considerably healthier after an increase in the number of cities that have opted for wheelchair-friendly taxis. And the arrival last month of receivers at Reliant, Manganese's main competitor, should help maintain orders for its new Fairway cab. Nevertheless, even if profits are maintained in 1991 and earnings per share are stable at about 18p, giving a prospective multiple of 7.4, there is little reason in today's market why the price should rebound.

COMMODITIES AND AGRICULTURE

Arable farmers 'must cut costs' to stay in profit

By David Blackwell

ARABLE FARMERS will have to set a cost target of less than £70 a tonne for wheat if they are to make a profit in the next few years, according to Booker Farming.

Supply management in the face of falling subisidies and inflation was not the answer, according to Mr Malcolm McAllister, managing director of the company. "We don't want to be lowly paid park keepers."

With static management, profits of £60 an acre (£20 a tonne) at an average company farm this year would fall to £53 next year and £13 in 1993, Mr Tony Ford, the company's finance director said. This was assuming a 3 per cent per annum fall in EC subsidies following the Gatt talks and inflation at 5 per cent a year.

With a yield improvement of 2 per cent per annum, next year's profit would be £53 an acre, falling to £26 in 1993.

However, with the 2 per cent increase in yield and cost reductions of 6 per cent per annum in real terms, profits per acre of wheat would remain at £53 in 1993.

Mr Ford said that cutting the fixed and variable costs by 6 per cent a year presented a real challenge, but he was convinced it could be done. Since 1986, Booker Farming, which manages more than 25,000 acres, had reduced fixed costs by 8 per cent a year in real terms, he said.

For the average 300 to 500 acre farm, however, the prospect is not good. Given static management, profits of £26 an acre next year would turn into a loss of £17 an acre in 1993.

Such farms should consider a contract linking them to a bigger farm, Mr Ford suggested. A 300 acre farm managed by a neighbouring 1,000 acre farm could raise total profits for the 1,300 acres by 50 per cent.

The small farmer would retain control of his farm and secure a regular low risk income. He could sell his machinery to reduce borrowings and be released from the day-to-day worry of farm management while at the same time being at the centre of a thriving business.

The large farmer managing the expanded acreage would spread his overheads, and reduce his fixed costs by £12 an acre, thus increasing the profitability of the whole venture.

Mr Ford admitted that the small farmer would be marking time – but at least he would have a farm to return to when the difficulties of farming eased.

The free-traders' flawed ideology

The ideal of the 'level playing-field' is excellent but unattainable

JOHN GALSWORTHY summed it up. Idealism, he wrote, increases in direct proportion to one's distance from the problem.

So it is with the current negotiations in the General Agreement on Tariffs and Trade, the ultimate objective of which is to abolish farm subsidies and agricultural protectionism. Those who are enthusiastic for success are, in the main, politicians, academics and even journalists. Most farmers, on the other hand, see the Gatt as a threat to their livelihood – indeed, perhaps to their very survival as farmers.

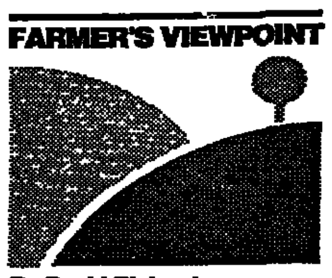
As was clearly shown in Nancy Dunne's series of articles on this page last week, that fear is not confined to farmers in the UK or even the EC, but extends to the US as well. When you have to make your living from producing food and selling it at a profit it is difficult to embrace an ideal that seems certain to make that more difficult, if not impossible.

The theory of a totally free world market for food is, of course, excellent and an economist's dream. The creation of a so-called level playing-field on which trade would take place would be wonderful. Farmers faced with competition from other parts of the world could be confident that the commodities on offer had been produced to the same standards and free of all fiscal variations. Food would be produced in those countries that could grow it most efficiently. Prices would find their economic level and consumers would benefit.

The trouble is that such a playing-field is part of the idealism, a figment of the imagination; and that is all it will ever be. Past experience shows that governments faced with domestic or international problems change their policies towards agriculture to suit their interpretation of the situation at the time.

German U-boats forced the British Government to encourage UK food production during the Second World War; the Soviet invasion of Afghanistan persuaded President Carter to impose an embargo on grain exports to the Soviet Union; the Australian Government promised £500m to its wheatgrowers just a few weeks ago, after Saddam Hussein invaded Kuwait and the subsequent UN trade embargo cut them off from one of their main buyers. Such incidents, together with the more cynical ambitions of politicians to be elected, are a perennial part of the world scene and create potholes in any playing-field that may be constructed, however honourable its intentions.

FARMER'S VIEWPOINT



By David Richardson

I would argue, therefore, that the whole concept of the Gatt round in relation to agriculture, to remove farm subsidies and tariff barriers, is flawed and unrealistic, although I accept that there are urgent priorities for reducing government expenditure on farming and that the negotiators are now pursuing lesser objectives. That said, however, the National Farmers' Union of England and Wales, backed by the vast majority of its members, is resisting even the relatively modest proposal for a subsidy cut of 30 per cent, as eventually agreed by the council of EC agriculture ministers last week, but which may not be enough to satisfy other parties to the Gatt. Sir Simon Gourlay, the Union's President and his French and German counterparts, are, in fact, calling for a side policy of supply management for the EC, in other words, supply restriction, to drive up domestic market prices and replace the subsidy – the declared objective of which would be to save the family farm.

For the plain fact is that farm profitability has declined disastrously during the last ten years, and is now only worth half its real value in 1980. Cuts in CAP guaranteed prices since the mid-1980s; cost inflation and high interest rates; a series of seasons that were either too wet or too dry; and finally a collapse this year of most livestock prices, due partly to unrestricted imports from eastern Europe, have combined to create a crisis on many farms.

The EC's answer seems likely to be a system of conservation-related direct income aids to small farmers, in return for which they would presumably walk around in flat caps or the European equivalent, sucking straw and preserving the character of the countryside. Bigger farmers, like most in the UK, are assumed to be efficient enough not to need such cash handouts.

That, however, is another piece of unrealistic idealism. The facts are that here in the UK the cost of producing a tonne of wheat, for instance, given the rent or rental equivalent of land, the prices of essential inputs and the general overheads associated with living in this country, is very close to the current spot price of about £115 a tonne. Indeed, unless a farmer grows a yield in excess of 3 tonnes an acre, he will probably lose money at that price.

The current world price, however, is about £35 per tonne for a similar product. The £80 per tonne difference is what it costs the EC to export surpluses, the payment of which the Gatt negotiators legitimately claim is a distortion of world markets.

Eliminate EC exports by restricting production, the European farmers' leaders are saying, and you eliminate most of the problem. Wealthy community consumers can well afford what it costs to produce wheat and the other commodities with similar price structures and most of Europe's efficient farmers will be able to survive.

They certainly could not survive at current world prices, which have fallen because of temporary over-supply. Nor could they absorb a further 30 per cent cut in returns. In fact, few farmers in the world could survive for long at world prices because they relate only to the marginal amount traded and have nothing to do with the costs of production.

Create a free market, say the enthusiasts, and world prices will rise. I do not disagree; but before they rise they will fall for an indeterminate number of years, destroying an untold number of communities and much of the countryside as we know and love it.

Even more significant would be the effects on consumers, who have come to take adequate, cheap food for granted in recent years. For, while during the brief period of free-for-all market competition, food might be even cheaper (or, perhaps more realistically, supermarket profits would rise) when it was over and farmers and their farm workers around the world had disappeared from the land in droves, production would decline. Food supplies would be limited and prices would soar.

Those unable to contemplate allowing Britain's currency to be controlled from outside the UK might do well to remember that even more vital necessity – our daily food. At present, UK farmers are able to produce a mere 56 per cent of the total requirements of our population and only 75 per cent of that which can be produced in our climate.

Is it really in the national interest at a time when more and more agencies are predicting world hunger within a few years to pursue policies that make Britain more vulnerable in the long term to the availability and price of food imports? Agriculture is a one-product-a-year industry and behaves like a giant liner on the high seas: it takes a long while to slow down and even longer to get it back up to speed.

Report urges environmental payments

THE EC should stop supporting farmers through production incentives and switch to payments for environmental management, according to a report out yesterday, writes David Blackwell.

The report is published jointly by the World Wide Fund for Nature and the Council for the Protection of Rural England. It attacks the Common Agricultural Policy as "inherently environmentally damaging. Its artificially inflated prices encourage overproduction of food by intensive agricultural systems at the expense of the environment."

The CAP's price support mechanisms should be replaced with a system of Environmental Management Payments sufficiently adaptable to be applied in different parts of the EC, the report suggests.

Under such a system, food production would be rewarded by market mechanisms alone. Lower farm product prices would lead to reduced use of inputs, improving the outlook for pollution control and decreasing energy use.

Public support, as far as payments to farmers are concerned, should be focused instead on the environmental benefits which the market does not adequately provide.

Farmers would be paid for the production of specific environmental goods, argues the report. Payment would not be compensation for not polluting or destroying the landscape.

Mr Andy Wilson, of the CPRE and one of the authors of the report, believes this approach would pay farmers "for hedges, habitats and hawks rather than milk lakes and beef mountains." He argues that the current subsidies are indefensible to the taxpayer, but that environmental subsidies could be justified.

Future Harvests. The Economics of Farming and the Environment: proposals for action. £6 including p & p. CPRE Publications Dept, Warwick House, 25 Buckingham Palace Road, London SW1W OPP

Nymex develops contingency plan in event of Gulf war

By Barbara Durr in Chicago

THE NEW York Mercantile Exchange (Nymex) expects to announce during the next week a contingency plan to avoid undue volatility in its oil markets in the event of war in the Gulf.

Mr Z. Lou Guttman, Nymex chairman, speaking at the annual meeting of the American Petroleum Institute in Chicago, said the exchange had worked out the plan in weeks of conversations with US government authorities and that it did not include any temporary closures of the exchange.

A number of "operational guidelines" were being considered "with no intention of interfering with Nymex activity," he said. The possibilities under discussion include delayed openings of the market as well as procedures on clearing, margins and settlements at the end of the day.

Nymex has already increased its margins because of the market's greater volatility since the Gulf crisis began. Before August 2, the day after the Iraqi invasion, initial margins were $2,500 and the spot month required an additional assessment of $1,000. Now, initial margins are $7,000, the spot month assessment has been increased to $5,000 and a second $2,000 is levied during the final six days of a contract.

Although the trading community has complained that increased margins have reduced liquidity in the market, the exchange says it is providing a necessary buffer against excessive volatility.

Mr Guttman also announced that the Commodity Futures Trading Commission had approved an extension of crude oil futures contracts to 36 months from the current 18 months. The CFTC also approved an exemption for swaps in conjunction with commercial activity. If documented, swaps will now not count against a commercial trader's total position.

Mr Guttman said Nymex was moving forward with a new sour crude contract, against which there would be five possible deliverable supplies, including one from the North Sea, two from the Middle East and two from South America.

Because there is no thriving cash market for sour crude, Mr Guttman said that developing this contract was conceptually different from those introduced in the past. In this instance, Nymex "must assist the creation of a cash market," he said. Another practical difficulty is negotiating storage space for supplies that will be segregated by type. Segregation will avoid working out differentials among the supplies.

Mining for leisure and profit

By Kenneth Gooding, Mining Correspondent

THE LONG-TERM future of tin mining in Cornwall depended heavily on a £35m scheme to transform the 280-acre site of Wheal Jane, one of the two remaining active mines in the region, into a multi-faceted leisure centre, said Carnon Holdings, which owns Wheal Jane, yesterday.

The project would involve Wheal Jane, located near Truro, being turned into a mining attraction for tourists where visitors could go underground. It also would take in an international-standard, 18-hole golf course and, more controversially, a seven-year phased development of 230 golf and holiday lodges, the sale of which would produce income to help finance the scheme in its early years.

Mr Brian Calver, managing director of Carnon, said the project would create 430 new jobs while providing financial stability for Carnon and its remaining operating tin mine, the nearby South Crofty.

Closure of Wheal Jane with the loss of 150 jobs was announced earlier this year because of rock-bottom world tin prices. Carnon said the mine was losing £40,000 a week and must close in June 1991.

The proposed leisure scheme would permit pumping to continue in at least part of Wheal Jane, one of the world's wettest mines, to keep it clear of water and maintain the option of mining again in the distant future if the tin price ever moved high enough.

Carnon said it was spending more than £100,000 a month of pumping out the water at the rate of 6,000 gallons a minute because, once the pumps were turned off, the mine would quickly flood and it would be too expensive to reopen.

Carnon was bought by its managers from the RTZ Corporation in March, 1988. Fourteen managers between them own 80 per cent of the equity and the rest is held in trust for the other employees.

The company has a £25m interest-free UK government loan and one of £10m from RTZ. The loan agreements require that all financial benefit to Carnon from projects such as that proposed for Wheal Jane must go towards protecting the existing tin business and the 400 jobs associated with it.

Mr Calver said an outline planning application was made yesterday and he hoped it would be considered in December. If there were no objections, Carnon hoped for the result to be announced in April, well before the company had to make its critical decision about turning off Wheal Jane's pumps.

The leisure project envisaged using some of the mine water, which reaches temperatures of 35 degrees C, to heat buildings and a commercial glasshouse operation growing tomatoes, peppers and exotic indoor plants. There would also be a 100-bedroom health hydro offering a full range of treatments plus health and sports activities ans a small business park.

Mr Calver said mining was continuing normally at South Crofty which breaks-even with the tin price at £3,600 a tonne. On the London Metal Exchange yesterday, tin for immediate delivery was US$6,210 (about £3,150) a tonne.

High stocks to keep lid on coffee prices

THE HAND to mouth buying pattern of roasters, coupled with high arabica stocks in Europe, should prevent any short-term improvement for arabica coffee prices, according to E.D. & F. Man, the London brokers, wites David Blackwell.

However, stocks of mild coffee in countries of origin are much lower than last year, Man says in its latest market report. This may give the opportunity for rallies, given reports of delayed or reduced crops in Central America, Mexico, Colombia and Kenya.

Man expects New York arabica prices to hold the 88 to 90 cents a lb range in the short term, or move lower before any rise.

Selling pressure from the Ivory Coast, which exported 1.1m bags (60 kg each) in September, has kept the lid on the robusta market. However, Man is expecting much reduced exports from Indonesia, Brazil and Thailand over the next six months.

Demand from norther Europe is strong, but consumer stocks of green coffee are falling only slowly, partly because German roasters have been able to utilise coffee held in store in east Germany.

WORLD COMMODITIES PRICES

MARKET REPORT

Robusta coffee prices closed well down in London. The January contract touched a new low of £558 a tonne before recovering to close at £561, a fall of £14 on the day. At midday New York arabicas were holding off 10-month lows posted earlier. Prices fell sharply on Friday after breaking key support at 85 cents a lb. "There is pressure coming from the technicals more than anything else," said one analyst. "Computer funds are short. The roasters are taking a hand-to-mouth posture and are buying ahead into the first quarter on market dips." Chart watchers said the next major technical support area is seen at 82 cents for December. On the LME aluminium edged ahead as the market attempted to consolidate after last week's falls. Dealers said trading was quiet, mainly reflecting the absence of the usual early morning Japanese orders because of a public holiday. In Chicago soyabean futures held gains at midsession on speculative short covering after talk that Friday's sharp declines discounted the bearish USDA soyabean crop report and made the market technically oversold. Slow farmer marketings allowed futures to rise.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$27.40-7.55y	-2.325
Brent Blend (dated)	$32.65-2.75	-2.4
Brent Blend (December)	$31.85-1.95	-2.4
W.T.I. (1 pm est)	$31.95-32.00	-2.985
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$320-328	-15
Gas Oil	$305-307	-18
Heavy Fuel Oil	$123-126	-8.5
Naphtha	$287-289	-12.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$382.00	-3.00
Silver (per troy oz)♣	421c	-4
Platinum (per troy oz)	$406.0	-9.0
Palladium (per troy oz)	$92.25	-0.85
Aluminium (free market)	$1605	+15
Copper (US Producer)	120c	
Lead (US Producer)	60c	
Nickel (free market)	410c	
Tin (Kuala Lumpur market)	16.32r	+0.08
Tin (New York)	287c	-1
Zinc (US Prime Western)	70c	
Cattle (live weight)†	104.62p	*-0.14
Sheep (dead weight)†	152.42p	*+0.55
Pigs (live weight)†	80.11p	*+5.88
London daily sugar (raw)	$267.2q	+7.8
London daily sugar (white)	$314.0q	+5.4
Tate and Lyle export price	£244.5	+4.0
Barley (English feed)	£117.5	
Maize (US No. 3 yellow)	£158.0	
Wheat (US Dark Northern)	£87.0	
Rubber (Dec)♥	51.00p	
Rubber (Jan)♥	51.00p	-1.00
Rubber (KL RSS No 1 Dec)	240.5m	+0.5
Coconut oil (Philippines)§	$342.5q	
Palm Oil (Malaysian)§	$322.5	+2.5
Copra (Philippines)§	$237.5t	
Soyabeans (US)	£133.0	-2.5
Cotton "A" index	82.15c	-0.40
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Oct/Dec v-Nov. w-Dec/Jan z-Jan/Mar y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Dec	235.00	234.00	232.00
Mar	228.60	228.60	228.00 224.00
May	224.60	228.80	225.40 223.60
Aug	227.60		229.00 226.00
Oct	227.00		228.00 225.00
White	**Close**	**Previous**	**High/Low**
Dec	309.0	308.0	309.0 306.7
Mar	306.5	308.0	306.5 303.0
May	305.8	308.5	307.0 303.5
Aug	308.8	309.0	309.0 306.0
Oct	291.8	292.5	290.0

Turnover: Raw 1404 (2071) lots of 50 tonnes. White 1189 (1084)
Paris- White (FFr per tonne): Dec 1514 Mar 1524, May 1522, Aug 1549, Oct 1468

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Dec	31.50	33.50	32.98 31.50
Jan	30.35	32.10	31.70 30.35
Feb	29.00	30.20	30.30 29.00
Mar	28.15	28.75	28.80 28.10
Apr	27.00	27.50	27.00
May	25.90		25.90
IPE Index	34.16	34.45	

Turnover: 30020 (25721)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Nov	314.00	314.75	316.00 300.00
Dec	288.00	304.00	295.00 284.00
Jan	275.00	290.50	283.00 271.00
Feb	258.00	274.75	269.00 258.00
Mar	241.50	257.00	246.00 241.00
Apr	227.00	243.50	231.00 228.00
May	232.00	238.25	232.00
Jun	230.00		230.00

Turnover 12698 (12388) lots of 100 tonnes

TEA

There was strong and general demand this week, reports the Tea Brokers' Association. Assams again proved the best feature with better quality descriptions and most mediums often appreciably dearer. Bangladesh teas realised fully firm rates. Bright liquoring Africans met good competition at marginally lower levels but for mediums showed a dearer [illegible] tendency while plainer descriptions and Central Africans were 1p to 3p dearer. Ceylons attracted a better enquiry although prices eased towards the close. Quotations: Quality 210p nominal, medium 137p, low medium 82p.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	651	653	654 645
Mar	683	694	698 688
May	720	721	726 720
Jul	740	745	746 739
Sep	762	768	770 762
Dec	789	796	797 793
Mar	815	823	825 815

Turnover: 2305 (4693) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 9 882.69 (883.83) 10 day average for Nov 12 879.66 (883.08)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	549	562	553 545
Jan	561	575	565 558
Mar	544	556	546 540
May	556	557	558 555
Jul	571	583	575 571
Sep	590	600	593

Turnover: 2254 (2879) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 9: Comp. daily 69.64 (70.61). 15 day average 71.64 (72.08)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Apr	145.5	148.8	149.5 148.0
Nov	72.0		72.0

Turnover 102 (70) lots of 40 tonnes.

SOYAMEAL – HI-PRO £/tonne

	Close	Previous	High/Low
Dec	104.00		104.00 103.00
Feb	116.50	117.00	116.50 115.00
Apr	119.50	120.00	119.50
Jun	120.00	120.50	120.50 120.00
Aug	121.00	121.50	121.50 121.00
Oct	122.00	122.50	122.50 122.00

Turnover 167 (115) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1275		1270
Jan	1224	1225	1220 1219
Apr	1205	1200	1205
BFI	1281	1280	1281

Turnover 38 (160)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	119.65	119.30	119.65 119.30
Mar	123.45	123.10	123.40 123.00
May	126.75	126.45	126.75 126.45
Jun	128.35	128.10	128.00
Barley	**Close**	**Previous**	**High/Low**
Jan	116.00	116.25	116.15 116.00
Mar	119.10		119.10
May	120.35		120.35

Turnover: Wheat 271 (275), Barley 86 (10). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	96.5	97.0	97.0 96.5
Feb	94.0	94.0	93.5

Turnover 11 (29) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 17,738 lots	
Cash	1598-602	1595-600	1606	1606-7		
3 months	1628-9	1624-6	1637/1625	1632-3	1633-5	64,587 lots
Copper, Grade A (£ per tonne)					Total daily turnover 17,879 lots	
Cash	1308-10	1316-8	1312/1303	1311-2		
3 months	1315-6	1317-8	1323/1308	1318-9	1316-7	108,167 lots
Lead (£ per tonne)					Total daily turnover 1,353 lots	
Cash	367-9	368-70	367/368	363-4		
3 months	373-4	373-4	377/371	371-1.5	372-3	10,791 lots
Nickel ($ per tonne)					Total daily turnover 1,427 lots	
Cash	8700-50	8900-50	8825	8800-25		
3 months	8300-25	8475-500	8475/8300	8475-500	8325-50	7,504 lots
Tin ($ per tonne)					Total daily turnover 971 lots	
Cash	6200-20	6220-30		6200-20		
3 months	6190-200	6210-15	6220/6160	6190-210	6160-70	8,790 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 4,885 lots	
Cash	1287-92	1292-5	1305	1302-5		
3 months	1265-7	1269-70	1290/1265	1280-1	1273-5	19,821 lots

LME Closing £/$ rate: SPOT: 1.9850 3 months: 1.9380 6 months: 1.9172 9 months: 1.8989

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	381¾-382¼	194½-195
Opening	382¼-383¼	194¼-194¾
Morning fix	381.90	193.958
Afternoon fix	380.70	193.938
Day's high	382¾-383¼	
Day's low	380-380½	

Coins	$ price	£ equivalent
Mapleleaf	391-396	199-202
Britannia	391-396	199-202
US Eagle	391-396	199-202
Angel	391-396	199-202
Krugerrand	381-384	194-196
New Sov.	89½-91½	45½-47
Old Sov.	89½-91½	45½-47
Noble Plat	410.80-417.40	208.90-212.25

Silver fix	p/fine oz	US cts equiv
Spot	214.20	421.15
3 months	221.65	429.85
6 months	228.15	437.75
12 months	241.10	464.65

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	63	57	3	13
550	27	28	17	34
600	9	13	49	69
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
600	52		1	
650	15	71	14	28
700	2	44	55	51
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
3000		330		270
3050				
3100				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	382.3	384.8	0	0
Dec	383.3	386.3	384.5	381.6
Jan	385.3	388.3	0	0
Feb	387.0	390.1	388.2	385.5
Apr	390.4	393.6	391.3	388.9
Jun	394.2	397.5	394.6	393.0
Aug	397.7	401.1	398.0	397.0
Oct	401.5	405.0	0	0
Dec	405.2	408.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Nov	417.8	417.8	0	0
Jan	411.8	410.3	412.5	404.4
Apr	415.8	414.7	416.0	409.2
Jul	419.8	418.8	414.0	414.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	418.9	422.0	0	0
Dec	420.5	423.7	423.5	417.0
Jan	422.5	425.7	0	0
Mar	429.5	432.8	432.5	426.0
May	435.5	438.9	437.5	433.0
Jul	441.4	444.8	441.0	439.0
Sep	447.3	450.8	0	0
Dec	456.0	459.6	458.6	454.0
Jan	458.4	462.1	0	0
Mar	465.0	468.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.10	115.90	115.20	114.10
Dec	114.35	114.90	114.80	113.05
Jan	113.25	113.85	113.30	112.70
Mar	111.80	111.75	111.50	110.60
Apr	110.80	110.95	0	0
May	109.80	109.55	109.50	109.00
Jun	109.10	109.25	0	0
Jul	108.35	108.50	108.20	108.20
Aug	107.40	107.55	0	0
Sep	106.60	106.80	106.30	106.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	31.80	33.59	32.80	31.75
Jan	31.41	32.91	31.70	31.41
Feb	29.98	31.48	30.40	29.98
Apr	27.70	28.89	28.00	27.45
Jun	25.97	27.05	26.30	25.85
Aug	25.05	25.94	25.25	24.79
Sep	24.65	25.37	24.65	24.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	8670	9024	8900	8625
Jan	8650	9032	8800	8625
Feb	8430	8788	8515	8360
Apr	7560	7838	7615	7540

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1163	1165	1167	1154
Mar	1228	1227	1231	1219
May	1260	1267	1267	1260
Jul	1307	1300	1308	1300
Dec	1380	1370	1380	1380

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	84.40	84.30	84.70	83.50
Mar	88.45	88.30	88.80	87.50
May	90.85	91.00	91.00	90.00
Jul	92.95	93.35	93.25	92.80
Sep	94.85	95.45	95.50	94.75
Dec	98.05	98.00	98.75	98.50
Mar	100.25	101.05	101.50	101.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.15	10.17	10.22	10.03
May	10.09	10.13	10.15	9.98
Jul	10.08	10.11	10.14	9.98
Oct	10.08	10.11	10.12	9.98
Mar	10.01	10.01	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	72.39	73.07	73.25	72.37
Mar	72.67	73.37	73.45	72.65
May	73.32	74.00	73.85	73.25
Jul	73.52	74.25	74.15	73.50
Oct	67.80	67.90	67.90	67.75
Dec	65.50	65.62	65.65	65.50
Mar	66.30	66.45	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	115.80	114.50	116.60	114.80
Jan	115.60	115.60	116.90	115.50
Mar	117.25	117.00	118.00	116.50
May	117.50	117.00	118.70	117.00
Jul	117.50	117.00	118.50	118.50
Sep	117.50	117.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 12	Nov 9	mnth ago	yr ago
1696.2	1704.6	1725.6	1868.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 9	Nov 8	mnth ago	yr ago
Spot	122.71	123.87	127.44	130.33
Futures	127.34	128.13	128.78	131.13

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	572/0	586/6	572/6	566/0
Jan	586/0	580/6	586/4	579/4
Mar	600/2	595/2	600/4	594/0
May	614/0	608/6	615/0	609/2
Jul	625/0	619/2	625/4	619/0
Aug	625/0	621/0	625/0	622/0
Sep	616/4	614/0	617/4	614/4
Nov	616/0	611/2	616/0	610/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.63	20.78	20.85	20.58
Jan	20.95	21.06	21.13	20.87
Mar	21.36	21.50	21.55	21.31
May	21.80	21.87	21.92	21.72
Jul	22.05	22.16	22.20	22.00
Aug	22.09	22.15	22.18	22.07
Sep	22.10	22.15	22.18	22.08
Oct	22.06	22.05	22.05	21.95
Dec	22.05	22.02	22.10	21.95

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	174.9	173.1	175.2	173.1
Jan	177.5	175.2	177.9	175.5
Mar	181.8	179.3	181.8	179.3
May	184.2	182.5	184.3	182.0
Jul	187.0	184.7	187.0	184.7
Aug	187.5	185.5	188.0	186.3
Sep	186.5	184.7	188.5	185.0
Oct	183.8	182.0	185.0	182.9
Dec	186.0	184.5	186.0	184.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	230/8	231/0	231/0	229/6
Mar	240/6	241/2	241/2	239/4
May	247/4	247/6	248/0	246/4
Jul	253/0	253/4	253/4	252/0
Sep	252/0	250/6	252/0	250/6
Dec	252/4	251/6	252/4	250/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	265/2	265/6	268/6	263/4
Mar	279/4	280/4	281/2	278/0
May	288/4	288/6	289/2	285/4
Jul	294/0	293/6	294/4	290/0
Sep	296/4	298/6	297/4	296/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	78.65	78.30	78.85	78.17
Feb	75.42	75.17	75.62	75.17
Apr	75.50	75.42	75.72	75.32
Jun	73.35	73.37	73.55	73.17
Aug	71.72	71.75	72.10	71.60
Oct	71.90	71.95	72.15	71.90
Dec	72.70	72.65	72.75	72.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	53.52	52.65	54.00	52.55
Feb	51.82	50.45	51.95	50.55
Apr	48.12	47.45	48.70	47.45
Jun	51.90	51.30	52.25	51.40
Jul	52.15	51.55	52.30	51.70
Aug	50.40	49.70	50.40	49.70
Oct	45.27	44.70	45.30	0
Dec	45.27	44.82	45.40	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	71.85	69.85	71.85	69.90
Mar	71.22	69.22	71.22	69.15
May	70.80	68.80	70.80	68.80
Jul	69.40	68.00	69.95	68.00
Aug	67.15	66.15	68.00	67.10

LONDON STOCK EXCHANGE

Equities held back by weak sterling

WEAKNESS in sterling restrained the UK stock market for most of yesterday's trading session, and it was only towards the close that London made a somewhat half-hearted response to the renewed rise on Wall Street.

The fall in the pound, which in part reflected concern over the leadership debate inside Britain's ruling Conservative Party, was aggravated by a new setback in crude oil prices. It cast a cloud over continuing hopes for an early cut in UK base rates, and more than counter-balanced the conviction that US rates will be reduced very shortly, perhaps at today's meeting of the Federal Reserve's Open Market Committee.

Traders expressed disappointment with the performance of the equity market yesterday, commenting that the modest gain in the FT-SE Index of 11 points contrasted sharply with the 44.80 gain in the Dow on Friday and 36.89 in London time last night. Turnover in the UK market was also unimpressive, with 379.3m shares traded through the Seaq system against 370.1m in the previous trading session.

Account Dealing Dates		
*First Dealings:		
Oct 22	Nov 5	Nov 19
Option Declarations:		
Nov 1	Nov 15	Dec 6
Last Dealings:		
Nov 2	Nov 16	Dec 7
Account Day:		
Nov 12	Nov 26	Dec 17

*New-time dealings may take place from 8.30 am two business days earlier.

The fault was laid entirely at the door of sterling which traded down to around DM 2.90; "There is no way that the UK chancellor of the exchequer has room to cut interest rates at that sort of level," said the head dealer at one international house.

This week brings a heavy list of important data on the UK economy, including the Retail Price Index for last month and the latest earnings and unemployment statistics. The fall in the pound, therefore, fell on a stock market already inclined to take a cautious view of the near term trading outlook.

The FT-SE Index tried to move ahead early in the session but was checked when it showed a gain of 10.5. Share prices then moved narrowly until Wall Street opened and they then allowed themselves to be reluctantly pulled higher. The final reading showed the FT-SE Index at 2,051.9, a net gain of 11.3 at the close of a somewhat unexciting day.

The excitement of the session came in the electronics sector where plans by Racal Electronics to demerge Racal Telecom, floated off publicly in April 1988, and also Chubb, the security division, stimulated hopes of an eventual bid for the remainder of Racal Electronics; the rump of Electronics is to be sold to its management.

The Racal move was described as "bizarre" by more than one specialist in the industry, as traders and analysts strove to put a price on the Electronics rump. Other electronics issues were enlivened by the prospect of a further reorganisation of the telecommunications industry.

Despite the absence of institutional support, confidence in the London market appeared to hold firm. At Kleinwort Benson Securities, Mr Trevor Laugharne said: "There seems little selling pressure, rather a tendency to buy on weakness." The market continues to look forward to increased activity when Britain's electricity industry is privatised in early December, and remains convinced that every effort will be made to cut UK base rates before the year-end.

However, the persistent lack of turover in equities underlines the concern over the Gulf situation, and the unwillingness of the institutions to put new money into equities until the outlook in the Middle East becomes more settled. The London market was again a prey yesterday to unfounded hints of favourable developments in the Gulf.

FINANCIAL TIMES STOCK INDICES

	Nov 12	Nov 9	Nov 8	Nov 7	Nov 6	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	80.26	80.24	80.13	80.32	80.41	84.35	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.43	88.33	88.40	88.43	88.47	93.55	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1589.7	1582.6	1574.9	1590.8	1598.9	1771.4	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	163.5	166.0	166.1	167.7	168.1	282.4	378.5 (6/2)	163.2 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2051.9	2040.6	2030.2	2059.2	2089.8	2213.2	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	960.86	950.16	948.61	957.84	970.58	-	-	-	-	-

Ord. Div. Yield	6.04	6.05	6.08	6.01	5.99	4.69
Earning Yld %(full)	12.54	12.59	12.64	12.53	12.48	11.26
P/E Ratio(Net)(*)	9.65	9.63	9.58	9.67	9.71	10.73
SEAQ Bargns 4.45pm	18,724	17,835	18,087	18,229	19,444	24,703
Equity Turnover(£m)†	-	733.87	695.09	783.98	701.47	823.12
Equity Bargains†	-	16,752	16,899	18,160	17,197	25,473
Shares Traded (ml)†	-	352.8	343.2	320.0	324.1	309.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 8.50

Ordinary Share Index, Hourly changes Day's High 1590.0 Day's Low 1584.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1587.8	1585.2	1586.0	1586.7	1587.2	1586.7	1585.7	1585.0	1589.9

FT-SE, Hourly changes Day's High 2051.9 Day's Low 2043.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2046.5	2043.1	2049.6	2047.6	2049.8	2049.9	2047.6	2048.7	2051.8

FT-SE Eurotrack 100, hourly changes Day's High 960.86 Day's Low 955.69

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
956.09	956.72	959.16	956.36	957.64	957.57	960.71

GILT EDGED ACTIVITY

Indices*	Nov 9	Nov 8
Gilt Edged Bargains	126.6	138.7
5-Day average	127.5	124.5

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

Heavy volume in Racal

ELECTRONICS and telecommunications stocks traded heavily as the market responded to plans to restructure Racal Electronics, as well as to hints of wider changes in the regulatory framework of the UK telecommunications industry.

Racal Electronics, the heaviest traded stock yesterday with a turnover of 45m shares, gained 16 to 182p after the board said it would demerge Racal Telecom and Chubb, the security business, and sell the rest to the company's management. Racal Telecom added 5 at 259p on 3.6m turnover.

The immediate comment from market traders was that if the deal goes through, Racal Telecom will take the place of Electronics in terms of market activity and perhaps, eventually, in the FT-SE 100-share list. According to Brian Newman at Henderson Crosthwaite, the UK brokerage house, yesterday's share prices indicate that the market is putting a price of about 30p on the rump of Racal Electronics, ex the two disposals, which are expected to eliminate outstanding Electronics debt.

The Racal proposals, coming on the heels of last week's £1.9bn bid from Northern Telecom, of Canada, for STC, the UK electronics group, inspired widespread activity in the rest of the sector.

Cable and Wireless edged higher to 437p. However, British Telecom, whose dominance in UK telecommunications would be threatened by changes elsewhere in the industry, shaded lower to 257p.

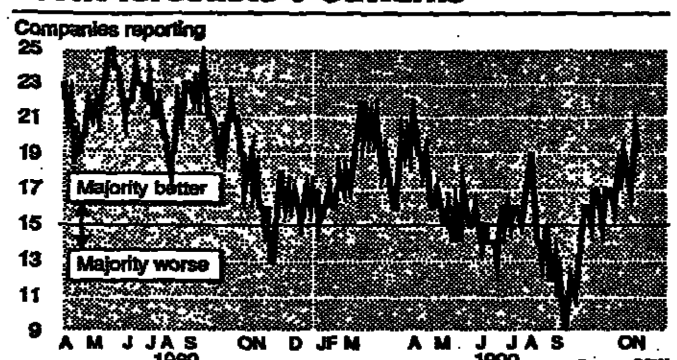
BET down sharply

A none too optimistic trading statement followed by a downbeat analysts' meeting put BET down. Slightly lower interim profits of £137.2m, against £144.8m, also caused disappointment but, according to analysts, the indifferent view of prospects exerted the real downward pressure on the shares.

One analyst said the negative events justified some traders' bearish views of BET, which they rate as too highly geared. It also gave them another excuse to knock the stock, he added.

Others, including Mr Geoff Allum of County NatWest, were more encouraging. They pointed to a potential second-half reduction in interest charges, disposals of assets and the yield of 11 per cent which, for a defensive stock, must appeal to investors. The shares ended 15 lower at 166p.

Profit forecasts v Outturns



As the chart here shows, stock market analysts have been largely successful in forecasting the fall in UK corporate profits. The first round of analysts' downgradings, in July and August, pre-empted the initial profile of corporate figures for the third quarter. However, even these reratings proved too optimistic in several market sectors, and September brought a batch of company profit setbacks on a scale which caught the market by surprise. The outcome was a further and more savage round of downgradings from analysts ahead of final quarter statements.

Amersham bounce

Amersham International, the health and household group, rebounded from recent weakness, inspired not so much by higher interim profits of £7.2m (£6.1m) but the prospective benefits of a deal with Eastman Kodak, of the US. In a fairly complicated arrangement, the UK concern could stand to net some £84m from what the market sees basically as the disposal of its diagnostic division.

Ms Barbara Arzymanow, a Kleinwort Benson analyst, said the deal affords Amersham the opportunity to put more emphasis on niche areas and concentrate on its strengths. We (Kleinwort) are not focusing too much on the first-half results, which were in line with our forecast, she continued. The shares responded with a rise of 29 to 277p.

BOC Group suffered a loss of 8 to 462p following a statement by the chairman that the group's performance had been hit by severe pressure on costs, particularly in its UShealthcare business. The market took this to indicate growing concern over the economic outlook. At the same time, while the group's reported 6 per cent increase in pre-tax profits was in line with market forecasts, the dividend rate of 20.4p was at the bottom range of expectations, reflecting a cautious view of earnings for the second half, an anaylst said.

Wellcome edged up 4 to 457p on the back of news that it was negotiating the sale of Calmic division to Rentokil, which firmed slightly to 210p. Interest in Wellcome was stirred as the market awaits its earnings results, due on Thursday; these are not expected to be as exciting as previously thought.

Dealers spoke of a reasonable trade in Eurotunnel ex the rights issue, although the larger business was conducted on the Paris bourse. The units reacted to close at 360p, while the nil-paid package settled at 208p premium.

Uncertainty over the sale of its service engineering division brought fresh easiness to Dan-Air operator Davies & Newman, which slipped 25 further to 100p.

There was no relief for shares of Avon Rubber. Concern over the preliminary figures, due sometime next month, coupled with the difficult trading climate for much of UK industry, left the stock down 17 further at 219p.

A weakening of crude oil prices put a damper on the oils sector, where media suggestions that British Gas is to make a $3bn bid for Union Texas Petroleum, of the US, provided the only spark of interest. While the reports have not been confirmed, the market showed its concern over the likely effect of a successful bid on earnings of British Gas by lowering the shares, which ended 3p off at 216p.

Elsewhere in the sector, a general lack of enthusiasm in the oil markets kept trading volume in oil issues sluggish throughout the day. BP shed 2p to 335p and Lasmo declined 3p to 425p. Ultramar and Shell, however, just about managed to buck the trend, with the former unchanged at 326p and Shell up 1p to 445p.

Leading bank shares recorded a modest rise. Lloyds Bank added 5 at 275p and NatWest ended 2 higher at 259p. While some brokers are concerned over a further deterioration in banks' profitability, they feel that the bad debt exposure would be lightened by a further reduction in interest rates.

Hambros Bank showed little reaction to the news that Baltica Group, Denmark's biggest insurer, wants to place its 14 per cent stake, as its holding in the merchant bank is no longer regarded as "a strategic investment". Hambros closed unchanged at 223p.

GRE, the composite insurer regarded as most likely to receive an approach for some form of co-operative deal with Baltica, was relatively lightly traded and the share price closed a penny easier at 182p.

Insurance companies spent a rather lacklustre day ahead of third quarter figures due for release later this week. Marketmakers were reluctant to hold stock ahead of the numbers, and prices were marked down accordingly. General Accident fell 12 to 431p on fears that the company faces losses of between £50m and £60m, compared with a £136.7m profit in the same period last year.

On the other hand, Commercial Union finished a penny firmer at 454p. News of a 10 per cent rise in the normal premium rate for standard house buildings charged by Legal & General came too late to affect trading, and the price finished just a penny harder at 356p. The company stressed that after last winter's storm damage the insurance sector had to cope with a long dry summer and a subsequent increase in claims for subsidence damage.

The market was surprised to learn that Mr Rupert Murdoch's holding in Pearson had dropped to 11.02 per cent from a level at the end of last year of 17.2 per cent, largely through the conversion during recent weeks of bonds issued by Mr Murdoch's News Corporation. The news, however, caused no great excitement in Pearson shares, which edged forward 5 to 627p.

Essex Furniture recorded a modest rise in pre-tax profits in spite of the depressed state of the retail sector. The company attributed much of its success to its trading pattern of producing to order rather than tying up capital in holding stock; the share price ended 2 higher at 27p.

Property issues were relatively subdued as marketmakers adopted a wait-and-see attitude ahead of several interim results expected this week. Land Securities firmed 2 to 523p on hopes that interims due tomorrow will be up from last year. Great Portland gained 2 at 220p.

Hammerson 'A' lost 10 to 579p after poor weekend press comment. The shares continue to reflect a potential reduction in overseas earnings brought about by sterling's rise over the past few months.

Slough Estates failed to hold on to an initial rise of 3 as early demand petered out, and the price closed unchanged at 226p. Among the quality second line stocks, Greycoat attracted some good buying and finished 6 higher at 366p.

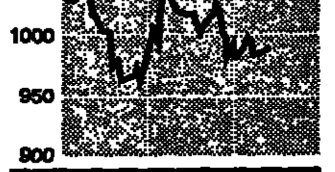
Manganese Bronze unveiled lower annual profits and weakened noticeably. The company mentioned its strong cash flow and said it looked forward to resuming a pattern of steady growth, but the shares still dropped 53 to 133p.

A cautious trading statement from Wardle Storeys, the plastic sheeting and survival equipment group, outweighed the positive effects of substantially increased full year profits and the stock closed 11 down at 228p, after 218p.

The appointment of a new managing director and other board changes was deemed good news for conglomerate Cannon Street Investments. After prolonged weakness, which has brought the shares down to a 1990 low, they recovered 8 to 78p.

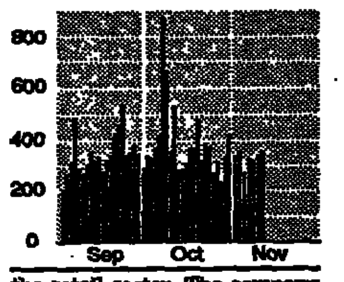
■ Other Market statistics, including the FT-Actuaries share index, Page 33

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (11).
BRITISH FUNDS (2) ELECTRICALS (2) FOODS (2) INDUSTRIALS (1) Ramco Oil, TRUSTS (3) OILS (1).
NEW LOWS (125).
AMERICANS (1) CANADIANS (2) BUILDINGS (1) CHEMICALS (1) STORES (1) ELECTRICALS (8) ENGINEERING (8) FOODS (2) HOTELS (2) INDUSTRIALS (27) Abbeycrest, Alexandra Workwear, Avon Rubber, BET, Barry Wehmiller, Carbo, Campbell & Armstrong, Christies Intl., Clearmark, Computer People, Davies (D.Y.), Elan Corp., Esselte, Eurocopy, Flexello C & W, Hanson, Intercare, Kitty Little, Lionheart, London Finance & Invs., Nestor-BNA, Norton, Sothebys Inc. Class A, Sterling Inds., Suter, Trafalgar House, Whitecroft, LEISURE (2) MOTORS (1) PAPERS (8) PROPERTY (8) TRUSTS (15) OILS (4) OVERSEAS TRADERS (1) MINES (8) THIRD MARKET (28).

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	969	111	+3
ASDA Group	1,400	124	+1
Abbey National	514	209	
Allied-Lyons	968	470	+1
Amstrad	782	38	+1
Anglian Water	451	280	+2
Argos	657	246	
Argyll Group	1,400	236	
Ass. Brit. Foods	250	385	+3
BAA	454	386	+3
BAT Inds.	568	680	+4
BET	5,800	185	-15
BICC	37	339	+1
BOC	2,200	462	-8
BPB Inds.	214	162	
BTR	1,400	282	+8
Bank of Scotland	635	104	
Barclays	1,600	346	
Bass	736	879	-2
Beazer	105	91	+1
Berisford Int.	289	30	+1
Blue Circle	385	204	+2
Boots	1,000	320	-4
Brit. Aerospace	1,000	539	-5
British Airways	1,800	141	+1
British Gas	4,500	216	[illegible]
British Land	327	385	+3
BP	2,600	338	-1
British Steel	17,000	120	-½
British Telecom	2,800	257	-½
Bunzl	411	57	
Burmah Castrol	157	451	-1
Burton	2,700	75½	+1½
Cable & Wire.	4,300	437	+5
Cadbury	1,200	307	+4
Calor Group	8	213	
Carlton Comms.	1,000	319	
Coats Viyella	478	113	+3
Coml. Union	274	453	+1

	Volume 000's	Closing Price	Day's change
Cookson	331	90	
Courtaulds	58	377	+1
Dalgety	351	336	+4
Dixons	231	140	+1
ECC Group	121	283	
Enterprise Oil	55	630	-3
FKI	856	48	+2
Ferranti	938	17	
Fisons	635	381	+4
Gen. Accident	788	431	-12
General Elect.	3,200	188	+5
Glaxo	1,100	779	+18
Glynwed Int.	229	190	+1
Granada	29	165	+1
Grand Met.	1,100	551	
GUS A	154	1078	+12
GRE	1,100	182	-1
GKN	330	286	-2
Guinness	863	713	
Hammerson 'A'	23	579	-10
Hanson	7,000	178¼	-½
Hanson Warrants	788	32¼	+½
Harrisons Crosfield	277	139	+2
Hawker Sidd.	1,000	398	
Hillsdown	2,800	257	+8
IMI	28	183	+1
ICI	1,100	858	+18
Inchcape	374	233	+3
Kingfisher	398	372	+2
Ladbroke	916	289	+4
Land Securities	1,000	523	+2
Laporte	72	494	+2
Legal & General	478	356	+1
Lloyds Abbey	210	321	+2
Lloyds Bank	1,700	275	+5
LASMO	258	426	-2
Lonrho	1,100	164	+2
Lucas	357	122	+4
MB Group	1,500	150	+2

	Volume 000's	Closing Price	Day's change
MEPC	1,200	408	+3
Manpower	404	48	+1
Marks & Spencer	545	234	+1
Maxwell Comms.	110	149	
Midland Bank	869	180	+2
NatWest Bank	1,300	259	+2
Next	972	28	+1
North West Water	1,000	227	+2
Northern Foods	1,800	340	
Northumbrian Water	48	330	+2
Pearson	107	627	+5
P & O	460	464	-5
Pilkington	985	180	-1
Prudential	2,100	201	+1
RHM	67	270	+3
RMC	102	582	+3
RTZ	2,900	423	+8
Racal	45,000	182	+16
Racal Telecom	3,800	259	+5
Rank Org.	118	587	+4
Reckitt & Colman	240	1224	+18
Redland	357	525	+2
Reed Intl.	172	358	
Reuters	334	818	+23
Rolls Royce	10,000	164	+2
Rothmans	17	675	
Ryl Bk Scotland	1,500	156	+4½
Royal Insurance	443	361	+1
STC	4,900	315	+½
Saatchi	7,100	37	
Sainsbury	880	298	
Scottish & New.	292	362	+1
Sears	4,000	83	+1
Sedgwick	183	210	+1
Severn Trent Water	1,300	201	
Shell Transport	1,800	447	+2
Siebe	37	271	+2
Slough Ests	759	226	
Smith (W.H.) A	553	371	+8

	Volume 000's	Closing Price	Day's change
Smith & Nephew	2,300	165¼	+1½
SmKl Beecham	3,300	559½	+4½
SmKl Beecham Uts.	780	2443	+16
Smiths Inds.	15	284	
South West Water	366	235	+1
Southern Water	1,000	287	+7
Standard Chartd.	304	258	+5
Storehouse	380	124	-1
Sun Alliance	327	305	+1
Sun Life	1	1605	+3
T&N	6	183	+1
TI Group	83	387	+2
TSB	642	126	
Tarmac	1,000	246	+2
Tate & Lyle	576	358	+2
Taylor Woodrow	554	219	-1
Tesco	1,800	222	+4
Thames Water	307	341	+3
Thorn EMI	288	608	+3
Trafalgar House	889	165	-1
Trusthouse Forte	2,700	254	+2
Ultramar	903	329	
Unigate	356	265	
Unilever	806	824	+12
United Biscuits	427	310	+1
Utd. Newspapers	39	288	
Water Package Uts.	2	[illegible]	+22
Wellcome	480	457	+4
Welsh Water	485	243	+4
Wessex Water	258	225	+1
Whitbread 'A'	248	429	+2
Wiggins Teape	1,100	180	+1
Williams Hldgs.	482	209	+1
Willis Corroon	2,600	228	+1
Wimpey	1,800	203	+2
Yorkshire Water	146	232	+2

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

Undated

1990 High	1990 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
[illegible]						

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or −	Yield (1)	Yield (2)
[illegible]						

INT. BANK AND O'SEAS

[illegible]						

CORPORATION LOANS

[illegible]						

COMMONWEALTH & AFRICAN LOANS

[illegible]						

LOANS

Building Societies

[illegible]						

Public Board and Ind.

[illegible]						

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or −	Div %	Red. Yield
[illegible]						

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]							

CANADIANS

1990 High	1990 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]							

Continued on next page

APPOINTMENTS

Changes at television company

■ Mrs Edwina Coven has been appointed deputy chairman of the breakfast television company TV-am. Her appointment follows the resignation of the former chairman, Mr Ian Irvine, and the newly-combined role of Mr Bruce Gyngell as chairman and managing director.

A writer, broadcaster and business woman, Mrs Coven joined the board of TV-am in 1985. A former chairman of the City Police Committee, she was appointed one of the Queen's City lieutenants and in 1987 she was the first woman chief commoner of the City of London.

■ CALA has promoted Mr Robert Dick to the post of group finance director. He was previously finance director of CALA Management.

■ WARNACO INC has named Mr Nigel M. Howland as president of Warner's European operations. He was managing director of Warner's (UK).

■ Mr John Gough has succeeded Sir Leslie Froggatt as chairman of PACIFIC DUNLOP following his retirement at the annual meeting. Mr Gough has been a director since 1976 and was managing director from 1980-1987 and became deputy chairman in 1987.

■ Mr Tom Robson has been made executive chairman at HICKSON INTERNATIONAL. He has worked for the company for 27 years, becoming an executive director in 1983 and group chief executive in 1989.

Mr Ken Schofield (*pictured*) has become chief executive. He was the executive director of Hickson with responsibility for Manro Surfactants, the business which he founded and which was acquired by Hickson in 1986.

Dr David Swallow, a non-executive director, has been appointed non-executive deputy chairman. He was formerly chief executive of RTZ Chemicals.

■ AMERADA HESS has appointed two new board directors with effect from October 23. Mr Mike Unstead, who joined AHL in 1985 as technical manager, has been appointed director with responsibility for all operated and non-operated oil field developments and associated oil trading.

Mr Rex Gaisford, who joined AHL in 1989 as manager, new projects, has been made the director responsible for developing all AHL's gas and oil field projects from design through to production.

■ Mr Hugh Graham-Watson has been appointed as a main board director of QUERCUS HOLDINGS.

■ PROTEUS INTERNATIONAL, a specialist in computer aided design of biomolecular structures and biologically active compounds, has appointed Professor Anthony Dayan to the board of its subsidiary, Proteus Molecular Design, as an associate director.

■ Mr Angus MacLennan has been appointed a director of the acquisition and divestment specialists DAVID GARRICK.

■ Mr Richard Heald has been made director and equity syndication manager for CREDIT LYONNAIS SECURITIES. He was previously a director of Hoare Govett with responsibility for equity syndicate.

■ Mr David Nelson has been appointed head of NATIONAL WESTMINSTER BANK's Bristol-based estate and personal financial planning, investment and tax arm, Financial and Investment Services, succeeding Mr Alan Thornton on his retirement. Mr Nelson was regional executive director of the bank's south west region and before that held senior positions in Devon and Cornwall and at West End branches.

■ AIR CALL COMMUNICATIONS (HOLDINGS), the mobile communications company owned by BellSouth of the US, has appointed Mr Jon Watts (*pictured*) as group managing director. Mr Watts has extensive management experience in the high technology area, including an overseas post as managing director with Datapoint Corporation in New Zealand.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro F15	£9⅞	+⅛	Q28%	2.1	8.9	5.3
303	148	ANZ SA1	152	.....	44c	1.4	11.8	6.0
233	172	Abbey National 10p	209	.....	5.7	4.3	3.6	8.5
*274	128	Allied Irish Ord	137	–1	†Q40%	3.3	6.7	6.1
85	47	Anglo Irish	53	.....	†Q18.7%	2.7	7.9	7.6
93	61	Ansbacher (H.) 1p	61	.....	2.5	1.3	5.5	17.6
£71¼	£32½	Bancaire Cie Fr100	£43¾	+1¼	[illegible]	–	3.0	–
£22¼	£13¼	Banco Bilbao Viz.	£13⅞	+⅛	Q49.1%	2.7	5.8	9.5
286	136	Bank Ireland Ir£1	138	–1	Q14.7%	2.9	9.5	4.8
£19¼	£18	Bank Leumi	£19¼	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	104	.....	†4.55	3.4	5.8	6.6
100¾	83¼	Do. 9¼pc Irrd Pf.	95	.....	9¼%	–	13.0	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	346	.....	†Q19.57	3.5	7.5	4.8
22	10	Benchmark 20p	10	.....	0.75	–	10.0	–
335	238	Brown Shipley £1	245	.....	12.0	2.2	6.5	7.9
*435	285	Cater Allen £1	351	.....	N24.5	–	9.3	–
179	29	Chancery	37	.....	9.0	2.7	–	1.5
£23¼	£14	Commerzbk DM10	£14¾	+¼	Q18%	–	4.3	–
£13¼	620	Dai Ichi KBk Y50	679	+20	Q17%	6.2	0.5	32.1
*£311½	£189½	Deutsche Bk DM50	£194½	+4½	Q28%	–	2.4	–
£20¾	£14⅝	Espirito Santo	£15⅝	+⅛	Q75c	5.1	2.4	8.0
255	160	First Nat. Fin. 10p	161	.....	13.0	2.1	9.6	6.2
121	82	FNFC 6.3pc Cv. Pf.	91	+1	6.3%	–	9.2	–
£13¼	633	Fuji Bank Y50	767	+8	Q17%	♦	0.4	♦
325	262	Gerrard & National	288	–2	19.0	–	8.8	–
154	85	Guinness Mahon 10p	86	.....	2.1	–	3.3	–
328	194	Hambros 20p	[illegible]	[illegible]	11.5	–	6.9	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central Africans

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☆ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 γ	700	......
Finlay Pkg. 5p γ	38	......
Holt (Jos) 25p γ	1305	......

IRISH

Cap. 8½% Ln. 1991	£98¼	......
9pc Cap Ln. 1996	£95	+¼
Fin. 13% 97/02	£110½	......
Arnotts	170	......
Carrol (P.J.)	154	......
Helton Hldgs. γ	51	......
IRG	153¼	......
United Drug	133	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met.	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd.	39
ICI	70
Ladbroke	22
Legal & Gen.	29½
Lex Service	20
Lloyds Bank	21
Lucas Inds.	11
Marks & Spencer	18
Midland Bk.	20
Nat West Bk.	18
P & O Dfd.	42
Racal Elect.	14
RHM	23
Rank Org Ord.	49
Reed Intal.	38
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs.	3½
Land Securities	42
MEPC	30
Mountleigh	11

Oils

Aviva Petlm.	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm.	20
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

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AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	38.84	38.84	41.54	-0.14	6.60
Gilts & Fixed Int	6	106.5	106.5	112.90	.....	10.19
High Inc Equity	6	112.4	115.7xd	123.0	+0.2	5.16
Worldwide Bond	6	187.0	187.0xd	198.2	+0.8	7.57
Capital Growth						
American Growth	6	145.70	145.9	155.8	+1.9	1.23
Asian Pacific	6	93.16	93.16	99.65	-0.3	0.12
Assets & Earnings	6	137.7	137.7xd	147.2	+0.6	3.19
Capital Reserve Acc	0	98.84	98.84	98.88	.....	7.22
Capital Reserve Inc	0	83.07	83.07	83.11	.....	7.22
Comdty & Energy	6	73.36	73.36	78.45	-0.3	1.30
1992 Enterprise	6	52.94	52.94	56.62	+0.29	3.44
Euro Capital Acc	6	82.84	82.84	88.59	+0.87	1.12
Euro Capital Inc	6	79.54	79.54	85.06	+0.84	1.12
General	6	144.9	144.9xd	154.90	+0.9	3.23
Japan	6	83.55	83.55xd	89.35	+0.4	0.00
Mastertrust	6	74.35	74.35	79.51	+0.36	2.13
UK Growth Acc	6	134.8	134.8xd	144.1	-0.1	2.85
UK Growth Dist	6	87.17	87.17xd	93.22	-0.04	2.85
US Emerging Cos	6	38.84	38.84xd	41.54	.....	0.00
Income & Growth	6	249.4	249.4xd	266.7	+3.84	3.84
Ethical	6	39.91	41.04	43.65	+2.29	2.29
International	6	50.09	50.85	54.09	+0.92	0.92
Dividend & Growth	6	39.91	41.05	43.66	+5.15	5.15
Global Gwth & Sec	6	46.46	46.75	49.73	+2.01	2.01
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	24.38	24.38xd	25.86	+0.20	3.05
Cash	-	50.05	50.05	50.05	+0.05	14.00
European	5¼	67.86	67.86	72.13	+0.38	0.00
European Income	5¼	70.74	70.74	74.97	+0.41	1.65
Exempt	1	656.2	656.2xd	676.1	-2.0	3.45
Exempt Income	3¼	154.6	154.6	163.6	+0.1	5.19
Exempt American	3¼	290.3	290.3xd	301.9	+1.6	1.87
Exempt Pacific	3¼	184.5	184.5	192.1	+0.6	0.00
Extra Income	5¼	34.85	34.85	37.20	-0.04	6.68
Far East Emerg Econs	5¼	38.77	38.90	41.66	+0.10	0.00
Fund Inv Tst	5	97.93	97.93xd	104.5	+0.06	1.66

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd – Contd.						
Int'l Growth ♣	6	22.38	22.38xd	23.83	+0.19	0.29
Monthly Income	6	45.31	45.31	49.57	+0.36	5.94
North American	6	48.72	48.72	51.89	+0.87	0.42
Orient ♣	6	88.46	88.46	94.21	+0.40	-
Recovery	6	33.77	33.77	35.97	-0.19	1.72
Smaller Cos Acc	6	172.6	172.6xd	185.5	-0.98	-
Smaller Cos Inc	6	104.3	104.3xd	112.1	-0.60	3.20
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 9JR 071-935 6382						
Income Growth	1	157.9	157.9xd	164.0	.....	7.2
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Gwth	5¼	43.28	43.28	45.88	-0.17	5.30
(Accum Units)	5¼	45.43	45.43	48.16	-0.18	5.30
Fellowship Tst ♥	5¼	48.39	49.21	52.36	+0.11	4.49
(Accum Units) ♥	5¼	51.40	52.27	55.61	+0.11	4.49
General Inc	5¼	233.7	233.7	247.7	-1.1	4.29
(Accum Units)	5¼	406.9	406.9	431.3	-1.8	4.29
Income	5¼	131.9	131.9	139.8	-0.5	5.65
(Accum Units)	5¼	273.7	273.7	290.1	-1.2	5.65
International ♥	5¼	83.70	83.72	88.72	+0.51	0.60
(Accum Units) ♥	5¼	115.6	115.6	122.5	+0.6	0.60
Smaller Co's	5¼	79.58	79.58	84.35	-0.17	3.17
(Accum Units)	5¼	89.17	89.17	94.52	-0.18	3.17
Inv Portfolio ♥	3	43.36	43.36	44.88	+0.28	3.80
(Accum Units) ♥	3	46.08	46.08	47.69	+0.29	3.80
High Income Port ♥	3	39.37	39.37	40.75	+0.16	6.11
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	59.81	59.81	60.67	+0.04	12.75
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqty	5¼	41.05	41.90	44.58	+0.14	6.34
CCF Sel High Inc Eq Acc	5¼	41.98	42.84	45.59	+0.15	6.34
CCF Sel Intl Gwth	5¼	36.97	36.97	39.97	-0.71	0.00
CCF Sel Inv Tst	5¼	41.41	43.04	45.79	+0.11	2.61
CCF Sel Inv Tst Acc	5¼	41.96	43.60	46.39	+0.12	2.61
CCF Sel UK Sm Co's	5¼	40.22	41.54	44.20	-0.03	2.34
CCF Sel UK Smlr Cos Acc	5¼	40.52	41.86	44.54	-0.03	2.34
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5¼	45.90	47.01	50.01	-0.06	2.86
Global Tst	5¼	35.88	36.27	38.58	+0.11	0.35
Recovery Tst	5¼	41.29	42.47	45.18	-0.02	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 071-234 6000						
Growth Fd Acc	5	108.2	109.6	115.6	.....	4.94

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Medical Investments Ltd (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
Health Fund	5¼	43.96	43.96	48.11	-1.88	.34
Mercury Fund Managers Ltd (1000)H						
33 King William St, EC4R 9AS 071-280 2060						
American Growth	5	102.9	103.2xd	110.1	+1.60	0.49
(Accum Units)	5	109.8	110.2xd	117.6	+1.90	0.49
American Income	5	30.43	30.43xd	32.35	+0.27	9.23
(Accum Units)	5	40.63	40.63xd	43.19	+0.35	9.23
American Sm Cos	5	37.97	37.97xd	40.51	+0.15	0.00
(Accum Units)	5	38.49	38.49xd	41.06	+0.15	0.00
British Blue Chip	5	90.61	90.75xd	94.14	+0.65	3.28
(Accum Units)	5	55.76	55.93xd	57.66	+0.72	3.28
Cash *	0	101.7	101.8xd	101.8	+0.10	14.20
(Accum Units) *	0	107.1	107.2xd	107.2	+0.10	14.20
European Growth	5	150.2	150.2	159.4	+0.20	0.92
(Accum Units)	5	159.4	159.4	169.2	+0.20	0.92
European Income	5	62.90	62.90	66.80	+0.01	4.88
(Accum Units)	5	73.36	73.36	77.91	+0.02	4.88
General	5	317.5	320.4	341.8	+6.00	3.01
(Accum Units)	5	564.5	569.8	607.8	+7.10	3.01
Gilt	5	81.96	81.96	86.16	+0.03	9.31
(Accum Units)	5	121.9	121.9	128.3	+0.10	9.31
High Income	5	43.13	43.13xd	46.01	+0.14	6.53
(Accum Units)	5	50.81	50.81xd	54.20	+0.16	6.53
High Interest	5	41.44	41.44xd	43.65	+0.01	11.01
(Accum Units)	5	53.83	53.83xd	56.70	.....	11.01

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Special Sits	5¼	22.24	22.24xd	23.91	-0.14	1.09
(Accum Units)	5¼	24.22	24.22	26.04	+0.16	1.09
Tokyo ♥	5¼	62.67	62.67	66.84	+0.31	0.00
(Accum Units) ♥	5¼	63.30	63.30	67.52	+0.31	0.00
UK Equity	5¼	114.10	114.10	121.70	+0.30	5.02
(Accum Units)	5¼	196.80	196.80	209.90	+0.60	5.02
US Smaller Cos ♥	5¼	36.63	36.63xd	39.17	+0.27	0.00
National Provident Inv Mgrs Ltd (1400)H						
48 Gracechurch St, EC3P 3HH 071-623 4200						
NPI American Acc ♥	5	55.36	55.41	58.95	+0.88	1.68
NPI American Dist ♥	5	52.08	52.13	55.46	+0.82	1.68
NPI European Acc	5	63.58	64.21	68.31	+0.77	0.67
NPI European Dist	5	62.59	63.21xd	67.24	+0.76	0.67
NPI Far East Acc ♥	5	91.23	91.58	97.43	+0.27	0.30
NPI Far East Dist ♥	5	90.58	90.93	96.73	+0.26	0.30
NPI O'seas Acc	5	737.9	742.1	789.5	+0.20	1.37
NPI O'seas Dist	5	576.9	580.3	617.3	+6.40	1.37
NPI UK Acc	5	403.3	406.2	432.1	+0.40	5.04
NPI UK Dist	5	224.1	225.7xd	240.1	+0.30	5.04
NPI W'wide Acc	5	59.13	60.09	63.93	+0.48	0.57
NPI W'wide Dist	5	56.89	57.81xd	61.50	+0.46	0.57
Newton Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 071-407 4404						
Newton Income	6	124.6	127.5xd	135.7	+0.5	7.28
Newton Global	6	187.6	191.5xd	203.7	+1.0	4.06
Newton General	6	87.94	90.26xd	96.02	-0.15	5.20

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours, (♣) - 1101 to 1400 hours, (♠) - 1401 to 1700 hours, (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 0296 312156

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	57.26	57.26	61.18	+1.40	1.26
Australia	5	5.296	5.296	5.668	-0.009	4.71
Equity	5	136.9	136.9	147.1	+0.3	5.23
Euro Spec Sits	5	97.05	97.05	104.6	+1.6	0.66
Financial	5	23.98	24.16	26.00	+0.14	5.74
Global Opps Inc	5	56.11	56.11xd	60.30	+0.54	0.00
Global Opps Acc	5	57.33	57.33	61.61	+0.55	0.00
Gold & Gen Inc	5	34.49	34.49xd	37.06	-0.24	1.08
Gold & Gen Acc	5	64.47	64.47	69.29	-0.45	1.08
Income	5	85.33	85.33	91.50	-0.08	6.99
Japan & General	5	107.8	107.8	115.9	+1.0	0.00
Preference Share	5	17.25	17.25xd	18.55	-0.04	14.30
UK Capital	5	75.29	75.29	80.87	+0.50	4.32
World Income	5	52.15	52.15xd	56.03	+0.63	6.31
Worldwide Capital	5	142.9	142.9	153.8	+1.3	3.55

Templeton Unit Trust Managers Ltd (1200)F
Atholl Crescent, Edinburgh EH3 8HA 031 228 3932

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Growth Acc	6	89.04	89.69	95.42	+0.62	3.80
Global Growth Inc	6	85.55	86.17	92.16	+0.6	3.80
Global Balanced Acc	6	90.38	90.78	97.10	+0.8	5.00
Global Balanced Inc	6	84.20	84.58	90.46	+0.75	5.00
Value Tst Acc	6½	66.81	66.85	71.49	+0.11	4.85
Value Tst Inc	6½	64.17	65.18	69.71	+0.11	4.85
Intl Fxd & Gl'ties Inc ♦	3	84.90	85.45	89.71	—	4.07
Intl Fxd & Gl'ties Acc ♦	3	81.93	82.45	86.57	—	4.07

Thornhill Unit Trust Managers Ltd (1200)F
28 St John's Sq, London EC1M 4AE 071-251 6767

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital	5	44.68	45.01	47.88	—	–
Overseas	5	39.17	39.31	41.81	—	–

Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 0DH 071-493 7262
Dealing 071-493 8545

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	39.70	39.70	42.34	+0.51	0.26
(Accum Units)	5	40.86	40.86	43.57	+0.52	0.26
Cash	0	50.97	50.97	50.97	+0.04	14.00
Accum Units	0	50.97	50.97	50.97	+0.04	14.00
European Opps ‡	5	56.66	56.66	60.35	+0.57	0.00
(Accum Units) ‡	5	56.98	56.98	60.68	+0.57	0.00
Far Eastern Opps	5	96.93	96.93	103.34	+1.22	0.00
(Accum Units)	5	97.55	97.55	104.00	+1.23	0.00
Golden Opps	5	25.66	25.66	27.22	+0.10	0.00
(Accum Units)	5	26.39	26.39	28.00	+0.11	0.00
Intl Hi-Yield	5	46.82	46.82	49.93	-0.22	5.51
(Accum Units)	5	51.04	51.04	54.43	-0.24	5.51
Sanyo Japan Tst	5	56.63	56.63	60.34	+0.34	0.00
(Accum Units)	5	56.63	56.63	60.34	+0.34	0.00
Kangaroo	5	22.98	22.98	24.40	-0.08	1.71
(Accum Units)	5	23.99	23.99	25.47	-0.08	1.71
Little Dragons	5	33.64	33.64	35.88	+0.43	0.00

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Nov 7	36.8	38.2	—	2.86
Euro Expt Nov 7	47.5	49.8	—	2.58
Fixed Int Ex Nov 7	44.0	45.1	—	10.56
Japan Expt Nov 7	40.5	42.1	—	0.89
Managed Ex Nov 8	37.2	38.6xd	—	5.57
SE Asia Expt Nov 7	53.8	56.4xd	—	4.85
Sm Cos Expt Nov 7	28.3	29.7xd	—	9.16
UK Eqty Ex Nov 7	35.7	37.4	—	5.39

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Small Co's Nov 6	589.8	632.5xd	—	5.07
Do Accum	656.0	703.2	—	5.39
Int. Expt. Nov 7	140.7	142.8xd	—	3.80
UK Index Nov 6	960.6	982.0	—	6.06
Do Accum	1016	1037	—	6.06
Convertible Nov 12	77.33	79.77	+0.72	10.10
World ex UK Index Nov 5	645.5	654.0	—	2.28
Do Accum	645.5	654.0	—	2.28
Japan Index Nov 5	540.8	548.4	—	0.53
Do Accum	541.8	549.3	—	0.53
USA Index Nov 5	722.9	727.4	—	3.85
Do Accum	733.1	737.5	—	3.85
Europe ex UK Index Nov 5	787.0	806.4	—	3.00
Do Accum	799.2	818.8	—	3.00
Pacific ex Jap Index Nov 5	706.5	727.3	—	5.51
Do Accum	719.8	740.9	—	5.51
Managed Exempt Nov 11	87.72	89.32	—	5.59
American Exempt Nov 7	94.41	95.97	—	4.45
European Exempt Nov 7	99.09	100.4	—	4.45
Japan Exempt Nov 7	102.7	103.9	—	0.84
Pacific Basin Nov 7	95.09	97.56	—	4.46

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NC Managed	51.1	54.4xd	+0.2	4.36
NC Property	174.3	192.2		–

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt Accum	118.3	119.2xd	—	4.22

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Saints PPP Oct 12	224.9	236.8	—	–

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Nov 1	82.60	86.94xd	—	4.76
(Accum Units)	84.89	89.36xd	—	4.76

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
TR Exempt Europalia	887	904	—	2.94
TR Exempt Nth Amer	678	694	—	4.46
TR Exempt Pac Basin	659	669	—	1.89
TR Exempt Smllr Cos Inc	996	1013	—	2.30
TR Exempt Smllr Cos Acc	996	1013	—	2.30

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	299.1	314.9	+0.9	-
UK Equity	373.7	393.4	+0.3	-
Overseas Eq	283.7	298.7	+2.8	-
Americas	206.1	217.0	+3.2	-
Far East	294.9	310.5	+0.8	-
Property	191.8	201.9	+0.1	-
Fixed Int	232.7	245.0	-0.2	-
Indexed Gilt	146.3	154.1		-
Deposit	172.2	181.3	+0.2	-
Pension Fund (Accum Units)				
Managed	413.3	435.1	+1.4	-
UK Equity	474.5	499.5	+0.5	-
Overseas Eq	465.4	489.9	+4.6	-
Americas	273.3	287.7	+4.1	-
Far East	490.0	515.8	+1.6	-
Property	237.9	250.5	+0.1	-
Fixed Int	282.6	297.5	-0.3	-
Indexed Gilt	160.8	169.3	-0.1	-
Deposit	236.9	249.4	+0.3	-
NPI Pensions Management Ltd				
Managed Fund	928.8	945.4		-
Prices Nov 1 Next dealing Dec 3				
Norwich Union Asset Management Ltd				
PO Box 140, Norwich NR3 1PP 0603 686787				
NUAM Funds				
Managed Fund	60.1	63.3	+0.2	-
Stock Market Mngd Fund	56.4	59.3	+0.2	-
Equity Fund	64.2	67.6	+0.1	-
International Fund	49.7	52.4	+0.5	-
European Fund	61.3	64.5	+0.5	-
North American Fund	47.7	50.2	+0.6	-
Pacific Fund	49.7	52.3	+0.2	-
Property Fund	86.6	91.2		-
Fixed Interest Fund	52.6	55.4	-0.1	-
Index linked Sec Fund	59.4	62.6		-
Deposit Fund	66.1	69.6	+0.1	-
NUAM Retirement Plans				
Mixed Fund	65.4	68.8	+0.1	-
UK Ordinary Share Fd	74.0	77.9		-
International Fund	54.2	57.1	+0.4	-
Property Fund	83.9	88.4	+0.1	-
Fixed Interest Fund	62.9	66.2	-0.1	-
Index Linked Sec Fund	62.8	66.1		-
Deposit Fund	76.7	80.8	+0.1	-
NUAM (NF)				
Managed Fund	853.0	897.9	+2.2	-
Equity Fund	1774.1	1867.5	+2.1	-
International Fund	131.3	138.3	+1.1	-
Property Fund	548.3	577.2	+0.2	-
Fixed Interest Fund	394.5	415.3	-0.3	-
Index Linked Sec Fund	60.5	63.7		-
Deposit Fund	271.6	285.9	+0.2	-
Norwich Union Life Insurance Soc.				
Surrey Street, Norwich NR1 3NG 0603 622200				
Unitised Life				
With Profits Fd	106.16	111.75	+0.10	-
Managed Fd	81.07	85.34	+0.28	-
UK Ord Share Fd	83.78	88.19	+0.09	-
International Fd	73.54	77.41	+0.62	-
European Fd	84.64	89.09	+0.64	-
North American Fd	72.71	76.53	+1.02	-
Pacific Fd	62.85	66.16	+0.27	-
Property Fd	99.47	104.70	+0.05	-
Fixed Int Fd	94.63	99.61	-0.02	-
Intl Bond Fd	87.13	91.71	+0.64	-
Deposit Fd	106.83	112.45	+0.09	-
Unitised Pensions				
With Profits Fd	140.24	147.62	+0.16	-
Managed Fd	131.02	137.92	+0.23	-
UK Equity Fd	136.88	144.08	-0.04	-
International Fd	128.77	135.55	+1.02	-
European Fd	136.01	143.17	+1.01	-
North American Fd	121.59	127.99	+1.71	-
Pacific Fd	92.58	97.45	+0.39	-
Property Fd	152.64	160.67	+0.02	-
Fixed Int Fd	111.39	117.25	-0.12	-
Intl Bond Fd	113.16	119.11	+0.76	-
Bldg Soc Dep Fd	133.98	141.03	+0.15	-
Pensioninvestor* & Unit-Linked Plus*				
Mixed Fund	354.5	373.2	+1.1	-
Ordinary Share Fund	516.7	543.9	+2.6	-
International Fund	138.5	145.8	-0.2	-
Property Fund	258.9	272.5	+0.2	-
Fixed Interest Fund	314.2	330.7	+0.2	-
Index-Linked Sec Fund	176.1	185.4	+1.2	-
Deposit Fund	239.1	251.7	+0.5	-
Norwich Units Oct 15	903.81			-
*Prices as at November 6				
Jersey Investment Plan				
With Profits Fund	104.52	110.02	+0.12	-
Intl Equity Fund	74.53	78.45	+0.63	-
Intl Bond Fund	95.29	100.30	+0.82	-
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	155.5	163.7	(z)	-
Prop. Acc. (Gross)	281.2	296.1	(z)	-
Equity (Gross)	689.3	725.6	(z)	-
Managed (Gross)	500.9	527.3	(z)	-
Prop. Acc. (Net)	131.5	138.5	(z)	-
Equity (Net)	161.5	170.0	(z)	-
Managed (Net)	154.4	162.6	(z)	-
International (net)	136.0	143.2	(z)	-
Gilt & Fxd Interest	108.6	114.4	(z)	-
Money Fund	120.8	127.1	(z)	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	521.8	549.3	(z)	-
Ret Man (Series 2)	176.9	186.3	(z)	-
Ret Man (Series 3)	118.3	118.3	(z)	-
Ret Cash	164.5	173.1	(z)	-
Ret Cash (Series 3)	136.9	136.9	(z)	-

	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd – Contd.				
Total Investment Bond				
UK Equity Initial		128.9	+1.1	-
UK Fixed Int Initial		107.5		-
Intl Equities Initial		100.5	-0.5	-
UK Managed Initial		104.2	+0.3	-
Property Initial		164.2		-
Money Initial		84.4	+0.1	-
Special Market Initial		92.9	+0.1	-
Japan Equity Initial		70.9	+0.6	-
North American Initial		61.8	+1.0	-
Pacific Initial		58.0	+0.1	-
Technology Initial		83.3		-
Nat Resources Initial		42.6	-0.2	-
European Initial		81.7	+1.2	-
Residential Prop Init		93.8		-
Swiss Equities Initial		30.2	+0.4	-
Hong Kong Initial		42.6	+0.2	-
UK High Inc Eq Init		58.2	+0.4	-
Int Fixed Interest Init		49.4	-0.1	-
Int Managed Init		48.7		-
HIP Managed Init		94.3	-0.2	-
HIP Managed II Initial		83.9	+0.1	-
Broker Funds				
High Performance	60.1	63.3	-0.2	-
Townhill Mngd Fd Acc	32.0	33.7		-
YRA Executive Fd	81.7	86.1	+0.2	-
£ Global Growth Acc	108.3	114.2	-0.5	-
£ High Income Money Acc	132.7	139.9	+0.2	-
IM Balanced	45.7			-
H F Speculator Fd	113.1		-0.4	-
PEP Acorn II	102.5		+0.1	-
PEP Cautionary	66.9			-
AAFS Int Man Fund	106.5		+0.4	-
Andrews-Grant Inv Port	74.1		-0.3	-
Individual Pension Funds				
UK Equity Acc	203.4	214.6	+1.6	-
UK Fixed Interest Acc	195.2	206.0	+0.1	-
Intl Equities Acc	187.5	197.8	-0.5	-
UK Managed Acc	164.0	172.9	+0.7	-
Property Acc	209.4	220.9		-
Money Acc	150.4	158.7	+0.2	-
Special Market Acc	187.0	197.3	+0.3	-
Japan Equity Acc	143.8	151.7	+1.1	-
North American Acc	97.3	102.7	+1.0	-
Pacific Acc	138.7	146.4	+0.3	-
Technology Acc	134.6	142.0		-
Natural Resources Acc	83.3	87.9	-0.5	-
European Acc	103.7	109.4	+1.8	-
Residential Prop Acc	103.9	109.6	+0.5	-
Swiss Equities Acc	31.4	33.2	+0.4	-
Hong Kong Acc	44.9	47.4	+0.2	-
UK High Inc Equ Acc	65.3	68.9	+0.4	-
Int Fixed Interest Acc	53.7	56.7		-
Int Managed Acc	50.2	52.9		-

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gros
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DM115.6	115.8		–
Fipart-Cassell Fund Mngrs (Guernsey) Ltd				
Scientific G & B Fd	SFr7.76	7.80	-0.10	2.26
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3496	0.3724	-0.004	13.16
Govett Far East Inv	$0.880	0.941	+0.005	–
Energy & Resources	$0.678	0.725	-0.009	–
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$9.1693	9.7528		–
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Stlg High Inc	£9.974	10.528		10.09
Intl Inv-Intl High Inc	$48.988	51.572		5.54
Henderson Admin. (Guernsey)				
Prime Inc Portfolio	£0.908			–
Balanced Gwth $ Prtflo	$1.791	1.930	+0.003	–
Balanced Gwth £ Prtflo	£1.027	1.105	+0.002	–
Select Mkts $ Prtflo	$1.828	1.977	+0.014	–
Inc & Gwth $ Prtflo	$1.673	1.770	+0.002	–
High Income £ Prtflo	£0.600	0.631		–
Hill Samuel Fd. Mngrs. (Guernsey) Ltd				
Guernsey Tst	62.53	66.87	-0.18	2.99
Kleinwort Benson Intl Fd Mngrs Ltd				
KB Int.Ac.Bd.Acc*	$8.608	9.066		–
KB Japan Fund	$221.62			–
KB Sterling Asset	£29.37	29.37		–
*Offer price inclusive of maximum preliminary charge				
Kleinwort Benson Islamic Fd Mgmt Ltd				
Islamic Fund	$5.75	6.15		0.52
Lazard Fund Managers (CI) Ltd				
Lazard Cap. Gwth Bond	$2865.06	2998.58	+2.15	7.9
Lazard Cur Acc Fd £	£18.69	18.70	+0.05	13.6
Lazard Cur Acc Fd US$	$14.64	14.65	+0.02	7.2
Lazard Cur Acc Fd Y	Y3,810	3,820	+10	6.75
Lazard Cur Acc Fd DM	DM51.32	51.33	+0.07	7.2
Lazard Cur Acc Fd SF	SFr37.04	37.05	+0.03	6.7
Lazard Cur Acc Fd FF	FFr158.05	158.04	+0.27	8.7
Lazard Cur Acc Fd Mkt	$15.62	16.41	+0.14	–
Lazard D'fied Bnd (Inc)	$19.34	20.39	+0.03	8.6
Lazard D'fied Bnd (Acc)	$24.82	26.16	+0.04	–
Lazard European Fund	$45.71	48.45		–
Lazard Far East	$52.37	55.74		1.0

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Capital House Fund Mgrs—Contd.						
Bonds						
Sterling Bond	5	£1.380	1.380	1.456		–
International Bond	5	$1.835	1.835	1.935		–
Currencies						
£ Sterling	0	£24.75	24.75		+0.03	14.10
US$	0	$18.88	18.88			6.53
Japanese Yen	0	Y3,599	3,599		+2.0	6.32
D Marks	0	DM50.03	50.03		+0.03	6.84
Swiss Francs	0	SFr51.03	51.03		+0.03	6.34
Fr Francs	0	FFr228.0	228.0		+0.2	8.13
Ecu's	0	Ecu27.11	27.11			8.46
Managed						
Intl Portfolio	5	$1.641	1.657	1.763		–
Managed Currency	5	$2.096	2.096	2.207		–
Gartmore Fund Managers International Ltd						
PO Box 278, 45 La Motte St., Jersey 0534 27535						
Capital Strategy Fund Ltd (z)						
American Fd		$–		2.767		–
Canadian Fd		C$–		0.7881		1.00
British Fund		£–		2.227		3.00
European Fund		DM–		5.219		–
Eastern European		DM–		4.408		–
Asia Pacific Fd		$–		1.898		–
Japan Fund		Y–		580.0	-0.2	–
Australasian Fd		A$–		0.3042		1.00
Global Resources		$–		0.7342		0.70
Emerging Mkts Fd		$–		.9641		0.50
Int Growth Fund		$–		2.718		0.20
Sterling Bond Fd		£–		1.014		10.32
ECU Bond Fund		Ecu–		0.9629		9.04
Int. Bond Fund		$–		1.268		6.65
Global Conv Bd Fd		$–		17.51	+0.13	1.48
US$ Deposit Fd		$–		1.051		7.09
Sterling Deposit Fd		£–		1.029		13.80
French Franc Dep Fd		FFr–		10.64		8.64
Swiss Fr Dep.		SFr–		5.270		6.30
DM Deposit Fd		DM–		5.246		7.13
Yen Deposit Fd		Y–		522.7		6.82
Aust.Dlr Deposit Fd		A$–		1.095		12.28
John Govett (Channel Islands) Ltd (1600)F						
PO Box 443, St. Helier, Jersey 0534 75141						
Govett Flexifund Ltd						
Global Equity	5½	$8.93	8.93	9.01		2.0
Global Bond	5½	$10.08	10.08	10.12	+0.01	7.5
Global Currency	5½	$10.09	10.09	10.10	+0.01	8.5

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound drifts towards DM2.90

STERLING SUFFERED from nervousness surrounding the UK political and economic scene yesterday. The pound's weakness was the most obvious feature of a quiet day, with Tokyo closed for a holiday to celebrate the Japanese Emperor's enthronement, and New York operating at a low level because of Veterans' Day.

The possible threat to Mrs Margaret Thatcher's leadership of the ruling Conservative Party and the approach of Friday's figures on UK inflation created a mood of nervousness around sterling, despite some relatively good economic data yesterday. October UK retail sales fell 1.1 per cent, against market forecasts of an unchanged figure, while input producer prices declined 0.9 per cent, compared with expectations of a 1.0 per cent rise. Output prices rose by the forecast amount of 0.4 per cent.

Dealers said the general picture was of a weak economy suffering from high inflation. There will be relief in the City if Friday's retail price index for October does not show a year-on-year rise of 11 per cent. If the Conservative Government is also weakened by a challenge to Mrs Thatcher, as prime minister, pressure on sterling seems likely to increase; at present the currency is certainly not living up to the high hopes held for it only five weeks ago when it became a full member of the European Monetary System.

Sterling remained anchored to the bottom of the EMS exchange rate mechanism yesterday. The pound has fallen steadily from a peak of DM3.05 when it joined the ERM on October 8. At that time its allowed base against the D-Mark was DM2.88, and by last night's close it had reached DM2.9050 (DM2.9250 on Friday), although because other currencies have changed their relative strengths within the last five weeks the allowed floor against the D-Mark has moved down to DM2.85, giving a little more room for movement.

At last night's close sterling had also lost 45 points to $1.9625, while declining to FFr9.7625 from FFr9.8250; to SFr2.4525 from SFr2.4575; and to Y252.50 from Y255.00. On Bank of England figures the pound's index fell 0.4 to 94.0.

The dollar weakened against most major currencies in light turnover. Today's figures on US industrial production and capacity utilisation are expected to show a fall, according to a survey carried out by Reuters, providing further evidence of a sluggish US economy. The policy making Federal Open Market Committee meets today, amid speculation that economic conditions could result in a further easing of US monetary policy. This added to the downward pressure on the dollar yesterday.

In London the dollar fell to DM1.4805 from DM1.4875; to Y128.70 from Y129.70; and to FFr4.9750 from FFr4.9950, but was unchanged at SFr1.2500. Its index declined to 60.1 from 60.4.

£ IN NEW YORK

Nov.12	Latest	Previous Close
£ Spot	1.9620-1.9630	1.9655-1.9665
1 month	1.00-0.99pm	1.00-0.98pm
3 months	2.71-2.66pm	2.69-2.66pm
12 months	8.06-7.95pm	8.04-7.94pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.12	Previous
8.30 am	94.2	94.3
9.00 am	94.2	94.3
10.00 am	94.1	94.4
11.00 am	94.0	94.4
Noon	93.9	94.4
1.00 pm	93.9	94.4
2.00 pm	94.0	94.4
3.00 pm	93.9	94.4
4.00 pm	94.0	94.4

CURRENCY MOVEMENTS

Nov.12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.0	-19.8
U.S Dollar	60.1	-19.3
Canadian Dollar	100.7	-1.4
Austrian Schilling	110.5	+10.7
Belgian Franc	112.3	-2.5
Danish Krone	111.5	-2.4
Deutsche Mark	120.2	+23.7
Swiss Franc	115.9	+23.5
Guilder	115.5	+15.3
French Franc	106.1	-11.7
Lira	99.9	-20.2
Yen	134.8	+68.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov.9 .

CURRENCY RATES

Nov 12	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.734292	0.705621
U.S Dollar	7	1.44215	1.38760
Canadian $	12.82	1.68732	1.61795
Austrian Sch	6½	15.1368	14.4311
Belgian Franc	10¼	44.3101	42.3081
Danish Krone	10½	8.22674	7.85592
Deutsche Mark	6.00	2.15039	2.05241
[illegible]	[illegible]	[illegible]	[illegible]

† European Commission Calculations. * All SDR rates are for Nov 9

OTHER CURRENCIES

Nov 12	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1395.85 - 1418.35	712.30 - 717.90
Kuwait	N/A	N/A
Luxembourg	59.90 - 60.00	30.50 - 30.60
Malaysia	5.3020 - 5.3150	2.6980 - 2.7000
Mexico	5750.85 - 5753.10	2928.00 - 2938.00
N.Zealand	3.2240 - 3.2290	1.6395 - 1.6425
Saudi Ar	7.3740 - 7.4045	3.7490 - 3.7510
Singapore	3.3570 - 3.3650	1.7080 - 1.7100
S.Af (Cm)	4.9570 - 4.9695	2.5235 - 2.5250
S.Af (Fn)	7.1355 - 7.2650	3.6360 - 3.7040
Taiwan	53.50 - 53.60	27.25 - 27.30
U.A.E.	7.2225 - 7.2525	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.755	-2.90	4.28	51
Belgian Franc	42.4032	42.3081	-0.22	1.48	14
Irish Punt	0.767417	0.765744	-0.22	1.47	13
German D-Mark	2.05586	2.05241	-0.17	1.42	15
Dutch Guilder	2.31643	2.31508	-0.06	1.31	6
French Franc	6.89509	6.89570	0.01	1.24	3
Danish Krone	7.84195	7.85592	0.18	1.07	-5
Italian Lira	1538.24	1545.10	0.45	0.80	-19
Sterling	0.696904	0.705621	1.25	0.00	-24

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9615 - 1.9720	1.9620 - 1.9630	1.00-0.98cpm	6.05	2.72-2.68pm	5.50
Canada	2.2840 - 2.2955	2.2915 - 2.2925	0.37-0.30cpm	1.75	0.98-0.83pm	1.58
Netherlands	3.27¼ - 3.29¼	3.27½ - 3.28½	1⅝-1½cpm	5.72	4-3⅞pm	4.80
Belgium	59.65 - 60.20	59.90 - 60.00	29-23cpm	5.20	72-64pm	4.54
Denmark	11.09½ - 11.16½	11.13¼ - 11.14¼	4-3½orepm	4.04	9¼-8¼pm	3.23
Ireland	1.0860 - 1.0920	1.0860 - 1.0870	0.36-0.32cpm	3.76	0.93-0.91pm	3.20
Germany	2.90¼ - 2.92	2.90¼ - 2.90¼	1⅜-1¼pfpm	5.42	3⅝-3½pm	4.82
Portugal	254.95 - 257.00	255.00 - 256.00	22-44cdis	-1.55	96-157dis	-1.98
Spain	183.10 - 184.50	183.70 - 184.00	4-12cdis	-0.52	33-44dis	-0.84
Italy	2184½ - 2196¼	2185¼ - 2186¼	5¼-4¼lirepm	2.78	14¾-12½pm	2.50
Norway	11.32½ - 11.38¼	11.34¼ - 11.35¼	3¼-2½orepm	3.04	7¼-6½pm	2.40
France	9.75½ - 9.80	9.75¼ - 9.76¼	3⅜-3¼cpm	4.07	8⅞-8½pm	3.56
Sweden	10.86¾ - 10.92½	10.87¾ - 10.88¾	½-¾oredis	-0.48	1⅞-2⅛dis	-0.83
Japan	252 - 254	252 - 253	1⅜-1¼ypm	5.94	3⅝-3¼pm	5.25
Austria	20.42 - 20.53	20.42 - 20.46	9½-8⅛gropm	5.32	24⅞-22½pm	4.64
Switzerland	2.44¾ - 2.45¾	2.44¾ - 2.45¾	1¼-1⅛cpm	5.81	3¼-3⅛pm	5.20
ECU	1.4080 - 1.4135	1.4100 - 1.4110	0.52-0.49cpm	4.30	1.28-1.23pm	3.56

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.77-4.72cpm . 12 Month 8.13-8.03cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9615 - 1.9720	1.9620 - 1.9630	1.00-0.98cpm	6.05	2.72-2.68pm	5.50
Ireland†	1.8080 - 1.8130	1.8105 - 1.8115	0.37-0.32cpm	2.29	1.14-1.04pm	2.41
Canada	1.1625 - 1.1680	1.1655 - 1.1665	0.41-0.43cdis	-4.32	1.13-1.18dis	-3.96
Netherlands	1.6665 - 1.6745	1.6705 - 1.6715	0.06-0.09cdis	-0.54	0.28-0.32dis	-0.72
Belgium	30.45 - 30.55	30.50 - 30.60	1-3cdis	-0.79	6-9dis	-0.98
Denmark	5.65¼ - 5.68	5.67¼ - 5.67¾	0.85-1.05oredis	-2.01	3.00-3.60dis	-2.33
Germany	1.4765 - 1.4850	1.4800 - 1.4810	0.06-0.08pfdis	-0.57	0.21-0.34dis	-0.74
Portugal	130.30 - 130.45	130.35 - 130.45	78-88cdis	-7.64	230-260dis	-7.52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE); CHICAGO; PHILADELPHIA SE £/$ OPTIONS; FRENCH FUTURES (MATIF)

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unitbank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk.of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Data lack impact

ENCOURAGING UK economic news failed to have much impact on interest rates or prices of financial futures in London yesterday. A fall in October retail sales and input producer prices was virtually ignored by markets worried about a weakening of sterling and the uncertain political situation in the UK.

Three-month interbank was quoted at 13$\frac{13}{16}$-13$\frac{11}{16}$ per cent against 13$\frac{13}{16}$-13¾ and 12-month money was 12¾-12⅝ per cent compared with 12¾-12$\frac{11}{16}$.

UK clearing bank base lending rate 14 per cent from October 8, 1990.

Short sterling futures opened weaker on Liffe, at 86.88 for December delivery and fell to 86.83, before touching 86.93 in the afternoon and closing unchanged at 86.92.

The day-to-day credit position on the cash market was much more comfortable than of late. The Bank of England initially forecast a flat position, revising this to a shortage of £100m in the afternoon. The authorities did not operate in the bill market during the day, but gave late assistance of around £25m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £918m, with bank balances below target absorbing £10m. These were roughly balanced by exchequer transactions adding £365m to liquidity and a fall in the note circulation of £565m.

In Paris the Bank of France left its money market intervention rate at 9¼ per cent at yesterday's securities repurchase tender. The pact will add FFr49.5bn to the banking system today, offsetting FFr45.5bn draining tomorrow as an earlier facility expires. The Bank of France held the tender a day earlier than usual, in an attempt to take pressure off market rates, but the net addition of FFr4bn was below the FFr10bn hoped for by dealers.

In Frankfurt call money was steady at 8.15 per cent, ahead of today's securities repurchase agreement tender expected from the German Bundesbank. Dealers are looking for the central bank to set a two-tranche tender, offering one-month funds at a fixed rate of 8 per cent and two-month money at variable bid rates.

Repurchase pacts totalling DM24.9bn mature tomorrow, and dealers said that the Bundesbank can keep conditions steady, with call money between the one-month repurchase rate and the 8.50 per cent Lombard rate, if the expiring pacts are fully replaced.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

LEGAL NOTICES

DEALTANK LTD

(In Receivership)

T/A Vermar Precision

We, N J Vooght & J M Iredale of Cork Gully, 8 Greyfriars Road, Reading RG1 1JG hereby give notice that on the 31st day of October 1990 we were appointed administrative receiver(s) of the above named company by Lloyds Bank Plc under the terms of a debenture dated 26/7/83 giving the holders a fixed and floating charge over the whole of the assets of the company.

N.J. Vooght
J M Iredale

Joint Administrative Receivers

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,392 Set by DANTE

ACROSS

1 Central European currency (6)
4 Roughly appropriate greeting to sailor (2-4)
8 African doctor held by a Nazi organisation (7)
9 US politician who could resort to treason (7)
11 The way in which American financial interests operate (4,6)
12 Lean Lothario? (4)
13 Girl fared badly (5)
14 Shoot an African and you'll get jail (8)
16 Bird ablaze with love (8)
18 Add beauty to a new day, we hear (5)
20 Drive away from Soho (4)
21 Point to an opener, repeat, an eye opener (5-5)
23 Dogfish provides sport in Scotland (7)
24 It can be made to display china (7)
25 It is in here, perhaps, that there's one or the other (6)
26 Roughly a tenth of Kent (6)

DOWN

1 Large number in new Rada production (5)
2 Unable to fix bearing of groups of stars (7)
3 A mainline express? (4-5)
5 Getting in a wild pet is useless (5)
6 Sue is of use (7)
7 Fell – to this cheap sort of price? (5,4)
10 Stalemates in new docks deal (9)
13 The good hand a good deal deserves (4,5)
15 Yard chase forged money (5,4)
17 Shown up by a space traveller? (7)
19 Speech goes on about proportional representation (7)
21 Start with pain (5)
22 Choose to take a seat (5)

Solution to Puzzle No.7,391

PRISON CONFINED
REPRESS THIEVES
AWRY MALINGERER
ELEVEN THROUGH
STARTED INMATE
CROSSWORDS EDNA
ELATION ABSCOND
MEETNESS LEGEND

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov. 12	Nov. 9	Nov. 8	Nov. 7	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
§Industrials	2540.35	2488.61	2443.81	2440.84	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.59	89.30	89.34	89.32	93.04 (3/1)	88.44 (24/9)	—	—
Transport	866.68	833.39	827.66	833.03	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.09	210.32	209.13	209.07	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

§Day's High 2550.99 (2500.74) Low 2490.10 (2438.61)

STANDARD AND POOR'S	Nov. 12	Nov. 9	Nov. 8	Nov. 7	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	319.48	313.74	307.61	306.01	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	373.35	367.11	359.72	358.15	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.21	21.19	20.65	20.37	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	174.07	171.17	168.14	167.47	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	294.78	291.03	289.07	289.74	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	351.46	341.95	336.37	336.80	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 9	Nov. 2	Oct.26	year ago (approx.)
Dow Industrial Div. Yield	4.09	4.08	4.17	3.94
	Nov. 7	Oct.31	Oct.24	year ago (approx.)
S & P Industrial div. yield	3.55	3.54	3.42	2.97
S & P Indl. P/E ratio	14.48	14.43	14.86	14.25

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
IBM	3,543,200	112⅞	+ 2⅝
Am Express	2,897,900	21⅞	+ 2
Fannie Mae	2,637,300	31⅞	+ 1⅞
Pan Am Corp	2,392,400	1⅞	+ ⅛
Pepsico	2,207,800	25	+ ⅝
BankAmerica	2,104,700	23⅞	+ 1⅞
Phillip Morris	2,020,600	49⅞	+ ⅝
Chicorp	1,922,700	13¼	+ 1
Duke Power	1,782,900	30½	+ ⅛
Gen Electric	1,777,500	55⅞	+ 1⅞

TRADING ACTIVITY

† Volume (Millions)	Nov. 12	Nov. 9	Nov. 8
New York	161.390	146.113	155.570
Amex	10.380	10.678	9.465
NASDAQ	(u)	113.554	106.908
Issues Traded	1,972	1,987	1,984
Rises	1,157	1,113	828
Falls	381	434	649
Unchanged	434	440	507
New Highs	14	11	7
New Lows	38	64	90

CANADA

TORONTO	Nov. 12	Nov. 9	Nov. 8	Nov. 7	1990 HIGH	1990 LOW
Metals & Minerals	2587.88	2523.81	2486.60	2502.63	3453.05 (4/1)	2486.60 (8/11)
Composite	3119.97	3077.42	3060.55	3071.14	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1670.41	1634.31	1621.36	1630.00	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 12	Nov. 9	Nov. 8	Nov. 7	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1335.6	1328.8	1342.3	1335.8	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	639.1	637.2	642.8	643.1	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	445.24	437.42	439.66	448.75	703.29 (19/3)	408.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5127.80	5114.82	5134.44	5185.49	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	343.49	338.22	338.95	340.28	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	410.4	411.0	408.4	409.2	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	428.26	419.81	417.99	426.75	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1597.34	1572.83	1569.86	1583.46	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	613.04	603.48	594.28	598.51	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1741.9	1712.0	1684.2	1696.9	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1402.24	1381.49	1369.44	1371.15	1968.56 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2949.56	2932.92	2932.44	2955.19	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1208.39	1224.51	1240.14	1264.60	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	528.38	532.97	535.24	539.49	763.52 (14/6)	529.38 (12/11)
JAPAN						
Nikkei (16/5/49)	(c)	22931.80	22969.81	23500.25	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	(c)	1707.44	1721.91	1752.32	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	(c)	3085.23	3136.13	3195.54	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	469.45	468.05	471.15	475.65	632.22 (1/8)	459.88 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	228.6	226.1	225.6	227.8	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	167.6	165.9	165.6	167.2	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	706.65	709.10	712.84	712.40	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	594.52	595.01	596.35	608.37	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	307.28	305.32	306.62	310.18	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1355.0	1382.0	1371.0	1375.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2710.0	2710.0	2701.0	2698.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	701.53	703.81	707.24	720.96	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	231.50	(u)	226.42	228.53	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	859.3	858.2	855.2	865.8	1329.9 (5/7)	850.2 (9/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	646.0	648.4	638.7	640.2	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	525.2	520.8	519.0	520.5	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	(c)	3472.53	3554.00	3689.87	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	661.83	662.55	661.19	662.25	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	456.2*	453.7	450.5	457.2	571.0 (4/1)	423.1 (28/9)

**Saturday November 10: Taiwan Weighted Price: 3502.82 Korea Comp Ex. 697.59
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Friday 9 November 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honshu Paper	12.6m	2,550	+200	Hitachi	4.1m	1,090	0
Nippon Steel	9.0m	401	-4	Nittoc Cnstrn	3.9m	1,790	+30
N'matsu Cnstrn	6.7m	1,560	-10	M'sui Shpbldg	3.8m	530	-10
Kyosan Elec	5.4m	1,390	-20	Hazama-Gumi	3.8m	1,230	+50
Tokyu Cnstrn	4.2m	1,110	0	S'tomo Metal	3.8m	441	+3

4pm prices November 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7⅛	4⅞	PHIC8	.85	16.		167	5¼	5⅛	5¼	+ ⅛
9⅞	8¼	PHYM	.81	9.0		470	9	8⅞	9	
9½	7⅛	PIGIT	.96	11.		3737	9	8⅞	9	+ ¼
12	10¼	PIGM	.89	8.0		260	11⅛	11	11⅛	
9⅞	8½	PMMI	.76	8.2		580	9¼	9⅛	9¼	+ ⅛
8⅛	6	PMIT	.87	13.		730	6⅞	6⅝	6⅝	− ⅛
8⅜	6¼	PMIT	.93	13.		1424	7⅛	6⅞	7	+ ⅛
8½	6	PPrIT	.95	13.		3713	7	6⅞	7	
21⅝	8½	QMS			10	694	13	11⅞	13	+1¼
13-16	5-64	Qantel				55	11-64	9-32	11-64	
62⅞	41⅞	QuakrO	1.56	3.1	18	1078	49⅞	47⅞	49⅝	+1½
15¼	7⅞	QuakSC	.80	8.4	15	667	9⅞	8⅝	9½	
16⅞	9⅛	Quanex	.40	3.3	7	102	12¼	10⅞	12¼	+1⅛
30½	19⅞	Quanx pf2.28		11.		6	21¼	21	21¼	+ ¼
35½	8⅛	Quantm	.44t	3.5	11	1490	12⅞	11⅛	12⅝	+1⅜
14	11⅞	QstVl	1.20a	9.9		147	12¼	12⅛	12⅛	− ⅛
14⅝	10⅛	QstVC				494	11	10⅞	11	+ ⅛
39⅜	32⅝	Questar	1.96	5.2	14	162	37½	37	37½	+ ½
16½	9⅛	QkReily	.28a	2.8	8	65	10⅛	9⅞	10	+ ¼
		— R-R-R —								
11	9⅞	RAC In	1.26	12.		80	10⅞	10⅞	10⅞	
4⅞	2	RAC	.65e	14.	6	125	4⅞	4½	4⅞	+ ⅛
20¼	17¼	RJR pf				6333	u20½	20	20½	+ ½
7⅜	3¼	RJR Nb wt				1488	5⅝	5½	5½	
14⅜	8¼	RLI Cp	.44	4.0	5	12	11	10⅞	11	
13	3⅞	RMI Tl	.10	2.4		156	4⅛	4	4⅛	+ ⅛
17⅝	5⅝	ROC Fd.38e		4.9		325	7⅞	7½	7⅞	+ ⅜
9⅛	5⅞	RPC			18	1	8⅝	8⅝	8⅝	
6⅛	4½	RPS	.89e	17.	6	57	5⅛	5	5	+ ⅛
41⅞	30	RTZ n	1.66e	5.0		13	33⅞	33⅞	33⅞	+ ⅜
67⅛	42⅞	Racal	.90e	1.7	27	2274	52¼	50⅞	52½	+2¼
105⅞	77⅞	RalsPur	1.88	1.9	16	1600	100	96	99⅞	+3⅞
[illegible]										
		— X-Y-Z —								
60⅛	29	Xerox	3	9.0		63637	33⅞	31⅞	33¼	+1⅝
32⅞	13⅜	XTRA	.72	5.1		27	14⅝	14	14	− ⅛
25	12⅝	XTRA pf1.94		14.		17	13½	12⅞	13½	+ ½
4	⅝	Zapata				257	13-16	⅝	⅝	−1-16
9⅛	3	Zemex				4	3⅛	3	3⅛	
19⅞	4	ZenithE				298	6⅛	6	6⅛	+ ⅛
19⅞	9⅞	ZeaNtl	.88	8.5	7	26	10½	10⅜	10⅜	+ ⅛
8	4½	Zenix	.93	20.		100	4⅞	4⅝	4⅝	+ ⅛
17⅛	9⅞	Zero	.40	3.9	11	48	10½	10¼	10¼	− ⅛
51⅛	29⅝	Zurnin	.88	2.7	15	125	33⅛	32⅞	33	+ ⅛
12⅝	10⅝	Zweig	1.16e	11.		375	10⅝	10⅜	10½	+ ⅛
10	7⅞	ZweigTl	.84	9.9		1226	8⅝	8⅜	8½	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices November 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ProtCre			22	6⅛	5⅛	5⅝	− ⅛
— R-R —							
RBW			87	4⅛	d 4½	4½	− ⅛
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices November 12

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Fed funds rate hopes fuel sharp rally in equities

Wall Street

HOPES THAT the Federal Reserve would ease monetary policy by reducing the federal funds rate further at today's meeting of its policy-making open market committee fuelled strong gains in US equity prices yesterday, *writes Patrick Harverson in New York.*

At the end of a busy trading day, the Dow Jones Industrial Average was 51.74 higher at 2,540.35, having broken through the 2,500 barrier at the start of the session.

In recent weeks market strategists have regarded 2,500 as the ceiling of the Dow's short-term trading range, but the gains of the past two working days suggest that a possible upward rerating of the market is under way.

New York SE volume was up from Friday's levels, and better than expected given that many financial institutions were closed for the Veterans' Day holiday.

The other key stock indices were also notably stronger, with the Standard & Poors 500 rising 5.74 to 319.48 in steady trading. The best performance of the day came from the over-the-counter market, where bargain hunting was reported to be widespread, and the Nasdaq composite index advanced 6.92 to 348.87.

By the close NYSE stocks that had risen outnumbered those that had fallen by 1,154 to 381.

The market is confident that monetary policy will be loosened by the Fed at today's meeting, primarily because a range of economic data due out this week is expected to show that the economy is slowing sharply and inflationary pressures are easing. Many analysts believe the authorities will have to reduce interest rates soon to prevent the economy from freefalling into a deep recession.

Share prices were also aided by a shift in sentiment about the Gulf crisis – the market thinks that President Bush's recent decision to send more troops to the region might push Iraq nearer to a negotiated settlement – and a further fall in oil prices. On the New York Mercantile Exchange December crude ended down \$2.02 a barrel at \$31.87.

Among leading issues, IBM was \$2¼ higher at \$113, CBS \$4 better at \$168½ and General Reinsurance up \$3⅝ at \$86½.

Loews, \$4½ ahead at \$92, and First Fidelity Bancorp, \$1 higher at \$16¼, featured after trading in both stocks opened late because of order imbalances. Strong demand for the shares had led to a build-up of buy orders which had to be sorted out before trading commenced. Loews stock has been sought since the company announced strong third-quarter results earlier this month, and a single trade of more than 32,000 shares was sighted, suggesting the presence of a large buyer.

First Fidelity, like much of the financial sector, a troubled stock of late, gained ground on sustained bargain buying.

Technology shares were again on the move. Advanced Micro Devices climbed \$⅜ to \$4⅝ in busy trading after a court refused a request from Intel to ban AMD from selling clones of an Intel computer chip. Intel gained \$1¼ to \$37¼ on the news.

Microsoft forged ahead \$4½ to \$68⅞ after concluding two important licensing agreements, one to LaserMaster, which put on \$1¼ to \$11½.

Canada

ANTICIPATION of a reduction in interest rates in the US combined with a technical recovery to send Toronto sharply ahead. The sharp fall in US oil futures also boosted the market but left oil shares moderately easier. Gold issues also lost ground.

The composite index ended 42.5 stronger at 3,120.0, the third largest one-day rise this year. Advances led declines by 272 to 200, while volume, at 21.4m shares, was up from Friday's 17.8m.

EUROPE

New York strength gives bourses a moderate fillip

WALL STREET's strength on Friday and early yesterday lifted bourses, especially those which closed late, *writes Our Markets Staff.*

FRANKFURT extended Friday's technical reaction and, after hours, it was treated to variations on recent investment themes by different arms of the Commerzbank.

Following a 9.56 rise to 613.04 in the FAZ index at midsession, the DAX closed 20.75 higher at 1,402.24, the advance also reflecting Wall Street's strong gains last Friday. Volume rose from DM3.7bn to DM4.2bn and chemicals stayed strong on last week's speculation that their dividends, and yields of around 10 per cent to domestic investors, will be maintained for 1990.

Later, Commerzbank's senior chemical industry analyst was reported to be majoring on the effect of oil prices and the drop in the dollar, which has a severe impact on export margins and profits on overseas manufacturing operations. Third-quarter reports from the industry, which start today with Hoechst, were expected to be worse than those for the first six months.

Meanwhile, Mr Walter Seipp, the chief executive of Commerzbank, said that the bank was in a strong earnings position and that its dividend, raised from DM8 to DM9 a share for 1989, could be boosted to perhaps DM10 this year. Ahead of this, the bank's shares had risen just 50 pfg to DM209, compared with gains of DM13.20 to DM568 for Deutsche Bank, and DM3.50 to DM343.50 for Dresdner.

PARIS recovered after last week's losses, with the CAC 40 index up 24.51 or 1.6 per cent at 1,597.34, but turnover remained light. Wall Street's higher opening gave support.

Financial stocks firmed on the slight improvement in the interest rate environment and in reaction to recent sharp declines, with Compagnie Bancaire up FFr23.40 or 5.7 per cent at FFr436, CCF rising FFr7.80 to FFr149 and Suez adding FFr12.80 to FFr301.80.

Eurotunnel was active on the first day of trading of the rights package. Volume reached 1m shares, and the stock closed at FFr34.95, down about 2 per cent ex-rights.

Auxiliaire d'Entreprises dropped FFr45 to FFr1,024 with 31,125 shares traded. The construction company said that a core of friendly shareholders had secured about 30 per cent of its capital, after it spurned the advances of Mr Michel Pélège, the property developer, in June.

MADRID strengthened throughout the day in modest turnover, with New York's early gains helping in the afternoon. The general index gained 5.08 or 2.2 per cent to 231.50 from Thursday's close; the market was shut on Friday.

Mr Ignacio García of FG Inversiones Bursátiles, the Madrid brokers, said that whenever there was a chance of a rally at the moment, Spanish institutions were picking up stock at the start of the week; if they resold them within the week they could deal on margin.

The banking and construction sectors led gains, with Agroman adding Pta130 or 6.6 per cent to Pta2,105 and Dragados Pta125 or 5.3 per cent higher at Pta2,465.

MILAN drifted to a new 1990 low, the Comit index falling 3.59 to 529.38, with no incentive to change its course before the account ends tomorrow.

However, Montedison recovered a little, rising L48 from Friday's after-hours low to close at L1,128 as a shareholders' meeting of its Enimont associate was suspended until next week.

STOCKHOLM recovered after 11 straight days on the downgrade, the Affärsvärlden General index rising 9.1 to 859.3 in turnover up from SKr152m to SKr161m.

Nyckeln, the finance house, was first suspended, and then dropped SKr3, or more than 40 per cent, to SKr4 on a financial reconstruction plan. Its main shareholder, Beijer Capital, was also suspended, and asked to be delisted from the Stockholm bourse from today, when trade will resume on a list for unregistered shares.

Trygg Hansa and Gota resumed trading when Trygg said that a merger of their insurance activities would give it an effective controlling stake, or 48.5 per cent of the voting rights in Gota. It also said that it had decided not to bid for the remaining Gota shares at this stage; Gota "A" fell SKr10 to SKr90 and Trygg Hansa rose SKr2 to SKr100.

AMSTERDAM moved higher in a technical reaction to last week's falls. Trading was quiet as the CBS Tendency index rose 0.9 to 94.5.

Unilever, which lost 60 cents on Friday after its third-quarter results, ended Fl 1.20 higher at Fl 143.50 after going ex a Fl 1.44 dividend.

BRUSSELS edged higher on restrained bargain-hunting, but Barco, the electronics company, fell BFr6 to a year's low of BFr1,454 as rumours grew that second-half earnings would be worse than expected after flat first-half results.

ZURICH's Crédit Suisse index followed Frankfurt and Wall Street higher, rising 4.4 to 472.6 in modest volume.

ATHENS dropped 7.3 per cent on Gulf worries, falling below 600 on the general index for the first time since April. The index shed 58.42 to 752.14, a decline of 55 per cent since its peak on July 5.

ASIA PACIFIC

Bombay's drop is exception

THE CLOSURE of the Tokyo market for the celebration of Emperor Akihito's enthronement kept trading quiet in the region yesterday, although most markets made modest gains. Against the trend, Bombay fell 7 per cent, while Taiwan was also on holiday.

HONG KONG rose, although profit-taking trimmed the gains. The Hang Seng index closed 16.64 ahead at 2,949.56, after touching 2,970. Turnover remained modest, totalling HK\$785m, compared with HK\$745m on Friday.

China Light, the most active stock, gained 70 cents to HK\$15.30 on brokers' recommendations and portfolio readjustments as investors switched from Hong Kong Telecommunications on fears that the group could lose valuable tax write-offs. HK Telecom shed 10 cents to HK\$5.75.

SINGAPORE made a technical recovery as investors searched for bargains after last week's declines, although overall trading remained fairly quiet. The Straits Times Industrial index rose 14.40 to 1,102.89. Turnover eased to S\$53.6m from Friday's revised S\$55.7m.

AUSTRALIA edged upwards but ended below the day's best as demand faded following a round of arbitrage trading in the morning. The All-Ordinaries index gained 6.8 at 1,335.6 in turnover of A\$104m, down from Friday's A\$139m.

Boral lost 10 cents to A\$3.06 after the building products and energy company said it expected first-half net profits to fall by 25 per cent.

News Corp rose 20 cents to A\$6.04 on rumours that Mr Rupert Murdoch would meet banks in Australia today. Adsteam added 4 cents at 67 cents, while associate Tooth and Co fell 30 cents to A\$2.50. S.A. Brewing said it would buy Tooth's Penfolds wine operation for A\$375m.

NEW ZEALAND ended mixed in quiet trading as the local dollar rose against its Australian counterpart, discouraging foreign participation. The Barclays index eased 0.70 to 1,277.66 in turnover of NZ\$5.8m (NZ\$5.4m on Friday).

Air New Zealand, which announces results in the next two weeks, dropped 7 cents to NZ\$1.03 amid speculation of a restructuring.

SEOUL was hopeful about a domestic political reconciliation. The composite index put on 3.94 to 701.53, but turnover was thin at Won183.3bn, against Won139.6bn in Saturday's half-day trading.

There was speculation that the main opposition party would end its boycott of the national assembly's regular session, which was postponed from its scheduled start yesterday. Buying by the market stabilisation fund – particularly of manufacturing shares – also lifted prices.

JAKARTA eased in moderately busy trading, with the composite index down 3.06 at 408.97 in turnover of 1.7m shares, up from Friday's 1.2m.

BOMBAY plunged 7.1 per cent on worries that Mr Chandra Shekhar, the new prime minister, might reverse liberal policies. The BSE index dropped 99.03 to 1,293.50.

SOUTH AFRICA

GOLD shares and other leading mining stocks drifted down in Johannesburg yesterday, in line with weaker world bullion prices on overseas markets. The all-gold index fell 27 to 1,382 as industrials closed unchanged at 2,710.

Ireland returns to the downgrade

By William Cochrane

AFTER enjoying the October recovery longer, and with greater gusto, than most European bourses, Ireland fell away again in the first full trading week of November. It was the worst performer among the FT-Actuaries world indices last week with a fall of nearly 7 per cent in local currency terms.

Mr Robbie Kelleher of Davy's, the Dublin stockbrokers, says that none of this was due to the election of a woman, Mrs Mary Robinson, as president of the Republic.

Nor was it down to the domestic economy, which could give most of Europe a point or two with a latest inflation figure of 2.8 per cent, growth in gross domestic product estimated at 3.5 per cent this year, a balance of payments surplus and a low external borrowing requirement.

"The real reason for last week's drop," says Mr Kelleher, "was in the overseas earnings of Irish companies." In Ireland, he says, corporate profits have been very good; in the UK, offshoots of Irish companies have shown profits 40 per cent lower on average and, in the US, the shortfall is around the 50 per cent mark.

"Last week we had the results from Allied Irish Banks," Mr Kelleher elaborates. "We knew that the US performance was going to be bad; we did not know that the UK side would produce profits at only 25 per cent of the previous year's level." The upcoming Bank of Ireland results are awaited with some trepidation.

Italy was an economy which seemed to have a lot going for it before the Gulf crisis and higher oil prices came along. Now, says Mr Roberto Morelli at County NatWest, it is valued, or devalued, as one of the economies most sensitive to the oil price surge.

"Volume has been very, very low," he adds, "and foreign interest in equities almost non-existent." He says that last week's announcement of the Enimont share price suspension, a casualty of the war between Montedison and the government-owned ENI, was badly handled, too.

There is little protection, either, in the structure of Italy's quoted equity market. "It does not have an oil play, or a large quoted food company, and its retailers were highly rated already," explains Mr Morelli. Defensive stocks are easier to find elsewhere, although Europe, excluding a fractionally better UK market, lost 2.3 per cent on the week.

In the world at large, a subdued and nervous Tokyo dragged down the performance of the Pacific Basin, outweighing a minor recovery in the US, and the World Index lost 1.6 per cent in local currency terms. W.I. Carr of the Banque Indosuez group thinks now is the time to be more positive. The firm feels this and the next quarter will be the time to move back to at least a 50 per cent invested stance (both in bonds and equities).

W.I Carr also believes that Japan will gradually recoup its premium status in equity markets. "Geographically," it says, "we would concentrate our currency assets in Japan and the lion's share of our equity and bond exposure there, too.

"Europe will also tag along nicely, principally because she will receive the largest incremental share of Japanese outward portfolio investment. American exposure should take a back seat," it adds.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1990	% change sterling † Start of 1990	% change in US \$ † Start of 1990
Austria	−1.67	−0.59	+17.96	− 4.49	−11.08	+ 8.46
Belgium	−1.84	+1.14	−21.15	−23.21	−26.88	−10.81
Denmark	−1.92	−0.04	− 4.68	− 9.28	−14.07	+ 4.82
Finland	−2.00	+2.31	−29.53	−31.19	−35.93	−21.85
France	−2.92	−0.69	−16.16	−24.03	−27.88	−12.02
Germany	−2.12	−3.68	− 4.23	−19.83	−25.26	− 8.83
Ireland	−6.86	−3.17	−22.96	−28.24	−31.60	−16.61
Italy	−4.46	−4.34	−22.66	−26.90	−32.12	−17.20
Netherlands	−1.76	−3.13	−14.21	−19.36	−24.75	− 8.20
Norway	−1.38	−6.03	+11.13	+ 1.11	− 5.88	+14.82
Spain	−0.37	+4.71	−24.93	−23.57	−28.92	−10.86
Sweden	−4.20	−9.99	−18.75	−23.37	−30.14	−14.78
Switzerland	−0.60	−2.83	−18.01	−21.28	−20.37	− 2.86
UK	+0.44	−2.58	− 9.33	−16.99	−16.99	+ 1.26
EUROPE	−1.15	−2.39	−12.20	−19.74	−22.44	− 5.39
Australia	+3.17	+1.21	−17.08	−17.53	−33.32	−18.68
Hong Kong	−1.11	+1.31	+ 1.68	+ 1.93	−18.37	+ 2.02
Japan	−4.30	+1.92	−38.86	−42.76	−47.97	−36.53
Malaysia	−2.49	+3.27	− 0.53	−15.62	−30.85	−15.64
New Zealand	−0.19	−5.44	−37.33	−34.70	−44.89	−32.76
Singapore	−4.07	+0.18	−15.29	−23.07	−29.96	−14.57
Canada	−0.25	+1.20	−17.27	−18.43	−33.79	−19.23
USA	+0.67	+4.65	− 7.60	−11.60	−27.53	−11.60
Mexico	−1.80	+9.05	+105.98	+81.03	+36.36	+66.34
South Africa	+0.05	−0.47	− 6.80	−12.63	−30.40	−15.10
WORLD INDEX	−1.56	+1.61	−21.65	−26.35	−35.02	−20.73

† Based on November 9th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

A close correlation begins to diverge

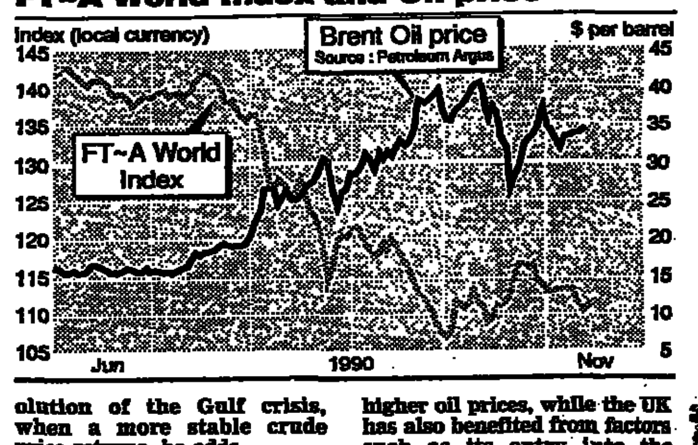
By Jacqueline Moore

THE FEARS of a tighter world oil supply, following Iraq's invasion of Kuwait at the start of August, has made movements in the crude oil price one of the main influences on stock markets.

Wall Street and Tokyo have been particularly vulnerable. The Dow Jones Industrial Average has often changed direction in midsession in line with a rise or fall in the oil price. Asian and European markets have frequently reacted to the US market the following day, reinforcing the oil price/world markets relationship.

However, Mr James Cornish, a strategist at County NatWest Securities in London, says there has been less of a correlation between shares and the oil price during the past two or three weeks. "People are seeing through the silliness of it," he claims, pointing out that most of the oil price-moving rumours have proved unfounded. Investors are also thinking more seriously about what will happen after the resolution of the Gulf crisis, when a more stable crude price returns, he adds.

FT–A World Index and Oil price



In Europe, the markets with the strongest correlations with the oil price include Spain and Italy, which are heavily dependent on imported oil.

Other markets have shown greater independence. The oil producers, such as the UK, the Netherlands and Norway, have given a mixed response to higher oil prices, while the UK has also benefited from factors such as its entry into the exchange rate mechanism.

Germany occupies an intermediate position in terms of cause and effect, says Mr Cornish. "The fact that it has fallen as much as the Spanish and Italian markets is more an expression of its previous expensiveness than of its vulnerability to oil prices."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY NOVEMBER 12 1990 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY NOVEMBER 9 1990 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1990 High	1990 Low	Year ago (approx)
Australia (77)	123.83	+0.6	93.55	100.74	95.31	105.71	+0.6	7.49	123.13	92.81	100.95	95.23	105.08	158.31	118.98	148.48
Austria (19)	199.92	+1.2	151.03	162.65	153.88	153.61	+0.6	1.78	197.62	148.96	162.03	152.83	152.75	285.63	178.57	146.37
Belgium (61)	138.86	+0.7	104.90	112.96	106.88	104.62	+0.3	5.54	137.95	103.98	113.09	106.68	104.27	160.02	126.67	138.54
Canada (120)	124.64	+1.4	94.16	101.39	95.93	105.23	+1.1	3.79	122.91	92.64	100.77	95.05	104.13	153.61	121.24	149.62
Denmark (33)	254.95	+0.4	192.60	207.41	196.24	196.78	+0.1	1.51	253.90	191.37	208.17	196.35	196.66	277.62	234.05	213.35
Finland (25)	104.52	+0.3	78.96	85.03	80.45	77.59	−0.3	3.93	104.17	78.52	85.41	80.56	77.82	152.29	98.91	121.16
France (122)	138.88	+1.2	104.92	112.97	106.89	108.38	+0.8	3.79	137.28	103.47	112.54	106.16	107.56	169.85	124.98	130.72
Germany (91)	115.17	+2.1	87.01	93.71	88.65	88.65	+1.6	2.56	112.79	85.02	92.48	87.23	87.23	144.63	101.38	98.06
Hong Kong (48)	120.15	+0.5	90.77	97.74	92.48	120.32	+0.6	5.50	119.50	90.07	97.97	92.42	119.64	147.49	112.24	116.86
Ireland (17)	149.42	−1.1	112.88	121.56	115.01	116.26	−1.6	4.50	151.03	113.84	123.82	116.80	118.16	198.57	139.04	165.32
Italy (91)	81.23	−0.3	61.36	66.08	62.52	67.58	−0.8	3.64	81.50	61.43	66.81	63.02	68.15	109.26	80.87	87.49
Japan (454)	126.25	+0.8	95.38	102.71	97.19	102.71	+0.0	0.83	125.28	94.43	102.71	96.90	102.71	197.26	106.58	185.90
Malaysia (35)	193.54	+0.2	146.21	157.45	148.97	201.18	+0.2	3.12	193.21	145.63	158.40	149.41	200.87	250.89	182.98	193.72
Mexico (12)	540.32	−0.2	408.19	439.57	415.89	1732.69	+0.0	0.40	541.38	408.06	443.86	418.68	1732.85	581.41	324.53	288.87
Netherland (41)	134.19	+1.6	101.38	109.17	103.29	102.34	+1.1	5.25	132.09	99.56	108.30	102.16	101.20	149.03	127.56	123.97
New Zealand (16)	48.29	−0.4	36.48	39.28	37.17	42.08	+0.0	8.00	48.47	36.53	39.74	37.48	42.08	75.36	48.15	74.79
Norway (27)	229.33	−0.1	173.25	186.57	176.52	179.99	−0.5	1.72	229.46	172.95	188.13	177.46	180.87	276.79	202.34	172.91
Singapore (25)	152.65	+0.8	115.32	124.19	117.50	120.22	+0.7	3.67	151.39	114.11	124.12	117.07	119.36	209.24	147.24	157.34
South Africa (60)	164.66	−1.3	124.39	133.95	126.73	132.08	−0.6	4.12	166.86	125.77	136.80	129.04	132.87	251.39	151.50	166.43
Spain (42)	148.77	+2.3	112.39	121.03	114.51	105.66	+2.3	5.26	145.37	109.57	119.18	112.42	103.30	182.25	128.54	153.86
Sweden (27)	166.45	+1.7	125.75	135.42	128.12	136.64	+1.3	2.97	163.67	123.36	134.19	126.58	134.90	234.93	158.07	173.01
Switzerland (66)	92.40	+1.1	69.81	75.18	71.13	71.61	+1.1	2.99	91.38	68.87	74.92	70.67	70.81	109.77	85.00	85.62
United Kingdom (299)	161.16	+0.3	121.75	131.09	124.03	121.75	+0.5	5.69	160.70	121.12	131.74	124.26	121.12	176.18	139.87	143.06
USA (533)	128.87	+1.9	97.36	104.85	99.20	128.87	+1.9	3.82	126.46	95.32	103.68	97.80	126.46	148.95	119.06	137.96
Europe (963)	135.91	+0.9	102.67	110.56	104.61	103.80	+0.8	4.48	134.70	101.53	110.44	104.18	103.01	157.65	124.91	124.22
Nordic (112)	180.37	+0.8	136.26	146.74	138.84	137.76	+0.4	2.20	178.87	134.82	146.65	138.33	137.15	223.29	172.38	166.78
Pacific Basin (655)	125.64	+0.8	94.92	102.21	96.71	103.08	+0.0	1.24	124.69	93.99	102.23	96.43	103.04	192.75	107.82	181.73
Euro–Pacific (1618)	130.17	+0.8	98.33	105.89	100.18	104.16	+0.4	2.61	129.11	97.32	105.85	99.84	103.79	174.18	116.03	158.80
North America (653)	128.53	+1.9	97.10	104.57	98.94	127.31	+1.9	3.82	126.16	95.09	103.44	97.56	124.99	148.43	119.26	138.55
Europe Ex. UK (664)	120.01	+1.3	90.66	97.65	92.40	93.12	+1.0	3.58	118.43	89.27	97.12	91.61	92.24	145.62	109.94	111.83
Pacific Ex. Japan (201)	117.73	+0.5	88.94	95.79	90.63	104.45	+0.6	6.38	117.12	88.28	96.04	90.59	103.88	146.72	116.03	131.67
World Ex. US (1810)	130.56	+0.8	98.63	106.22	100.49	104.89	+0.4	2.66	129.51	97.62	106.19	100.16	104.51	173.77	117.12	158.63
World Ex. UK (2044)	125.80	+1.3	95.04	102.35	96.84	111.39	+0.9	2.73	124.19	93.61	101.83	96.05	110.36	162.00	115.37	150.92
World Ex. So. Af. (2283)	128.72	+1.2	97.24	104.73	99.09	112.26	+0.9	3.05	127.19	95.87	104.29	98.37	111.26	161.84	118.04	150.10
World Ex. Japan (1889)	131.61	+1.4	99.43	107.08	101.32	117.58	+1.3	4.17	129.81	97.85	106.44	100.41	116.03	151.58	124.31	133.30
The World Index (2343)	128.94	+1.2	97.41	104.90	99.25	112.40	+0.9	3.06	127.43	96.05	104.48	98.56	111.41	162.05	118.33	150.20

Japanese market closed November 12.